

OFFICIAL STATEMENT
Dated November 20, 2013

NEW ISSUE - BOOK-ENTRY-ONLY

Enhanced/Unenhanced Rating: S&P: "AA-"/"A"
(See: "OTHER PERTINENT INFORMATION-Rating",
"BOND INSURANCE" and
"BOND INSURANCE GENERAL RISKS" herein)

In the opinion of Bond Counsel (defined below) to the Issuer (defined below), interest on the Tax-Exempt Bonds (defined below) will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date hereof, except as explained under "TAX MATTERS RELATING TO THE TAX-EXEMPT BONDS" herein. Interest on the Tax-Exempt Bonds will be an item of tax preference for purpose of determining the alternative minimum tax imposed on individuals and corporations under section 57(a)(5) of the Code (defined below). The Taxable Bonds (defined herein) are not obligations described in Section 103(a) of the Internal Revenue Code of 1986. See "TAX MATTERS RELATING TO THE TAXABLE BONDS" herein.

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

\$11,525,000
SYSTEM REVENUE BONDS, SERIES 2013 (AMT)

\$10,500,000
SYSTEM REVENUE BONDS, TAXABLE SERIES 2013

Dated Date: November 15, 2013
(Interest Accrues from Date of Delivery)

Due: December 1, as shown on following page

The Corpus Christi Regional Transportation Authority System Revenue Bonds, Series 2013 (AMT) (the "Tax-Exempt Bonds") and the Corpus Christi Regional Transportation Authority System Revenue Bonds, Taxable Series 2013 (the "Taxable Bonds") are being issued by the Corpus Christi Regional Transportation Authority (the "Issuer") pursuant to the provisions of Chapter 451, Texas Transportation Code, as amended, and a resolution adopted by the Board of Directors of the Issuer (the "Board") on November 20, 2013 (the "Resolution"). (See "THE BONDS – Authority for Issuance" herein.) The Tax-Exempt Bonds and the Taxable Bonds are collectively referred to herein as the "Bonds".

The Bonds are special obligations of the Issuer, payable solely from, and secured solely by, a first lien on and pledge of, the "Pledged Revenues" (as defined in the Resolution) generally being the Issuer's revenues derived from its ownership and operation of its transit system. (See "THE BONDS - Security for the Bonds" and Appendix A - "Selected Provisions of the Resolution".) THE BONDS DO NOT CREATE A CLAIM FOR PAYMENT AGAINST THE REVENUE OR PROPERTY OF THE ISSUER OTHER THAN THE "PLEGGED REVENUES" DESCRIBED HEREIN, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE BONDS.

Interest on the Bonds will accrue from the Date of Delivery (defined below) to the initial purchasers thereof named below (the "Underwriters"), and will be payable on June 1 and December 1 of each year, commencing June 1, 2014, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. 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 nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of Bonds representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by BOKF, NA dba Bank of Texas, Austin, Texas, to the securities depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. (See "BOND INSURANCE" herein.)



SEE FOLLOWING PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS AND/OR OFFERING PRICES AND REDEMPTION PROVISIONS FOR THE BONDS.

The Bonds are offered for delivery when, as and if issued, and received by the Underwriters subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Fulbright & Jaworski of San Antonio, Texas, a member of Norton Rose Fulbright. The Bonds are expected to be available for initial delivery through the services of DTC on or about December 17, 2013 (the "Date of Delivery").

HUTCHINSONSHOCKEYERLEY&CO.

ESTRADA HINOJOSA & COMPANY, INC.

FTN FINANCIAL CAPITAL MARKETS

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

**\$11,525,000
SYSTEM REVENUE BONDS, SERIES 2013 (AMT)**

STATED MATURITY SCHEDULE

\$3,995,000 Serial Bonds

Stated Maturity	Principal Amount	Rate (%)	Yield (%)
12/01/2014	\$300,000	2.000%	0.800%
12/01/2015	280,000	2.000%	1.100%
12/01/2016	285,000	4.000%	1.350%
12/01/2017	295,000	4.000%	1.750%
12/01/2018	310,000	4.000%	2.250%
12/01/2019	320,000	4.000%	2.750%
12/01/2020	335,000	3.000%	3.250%
12/01/2021	345,000	3.375%	3.600%
12/01/2022	355,000	3.625%	3.850%
12/01/2023	370,000	5.000%	4.050%
12/01/2024	390,000	5.250%	4.250% ⁽¹⁾
12/01/2025	410,000	4.350%	4.550%

\$7,530,000 TAX-EXEMPT TERM BONDS

\$870,000 4.625% Tax-Exempt Term Bond due December 1, 2027 and priced to yield 4.900%
\$1,470,000 5.000% Tax-Exempt Term Bond due December 1, 2030 and priced to yield 5.110%
\$1,700,000 5.125% Tax-Exempt Term Bond due December 1, 2033 and priced to yield 5.350%
\$3,490,000 5.375% Tax-Exempt Term Bond due December 1, 2038 and priced to yield 5.530%

(Interest accrues from the Date of Delivery)

The Issuer reserves the right, at its option, to redeem the Tax-Exempt Bonds having stated maturities on and after December 1, 2024 in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on December 1, 2023 or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see "THE BONDS – Redemption Provisions of the Bonds" herein). (See "THE BONDS - Redemption Provisions of the Bonds - Optional Redemption" herein.) The Tax-Exempt Bonds maturing on December 1 in each of the years 2027, 2030, 2033 and 2038 (the "Tax-Exempt Term Bonds") are also subject to mandatory sinking fund redemption prior to stated maturity. (See "THE BONDS – Redemption Provisions of the Bonds - Mandatory Sinking Fund Redemption – Tax-Exempt").

⁽¹⁾Yield calculated based on the assumption that the Tax-Exempt Bonds denoted and sold at a premium will be redeemed on December 1, 2023, the first optional call date for the Tax-Exempt Bonds, at a redemption price of par plus accrued interest to the redemption date.

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CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

**\$10,500,000
SYSTEM REVENUE BONDS, TAXABLE SERIES 2013**

STATED MATURITY SCHEDULE

\$2,795,000 SERIAL BONDS

Stated Maturity	Principal Amount	Rate (%)	Yield (%)
12/01/2014	\$275,000	0.870%	0.870%
12/01/2015	255,000	1.380%	1.380%
12/01/2016	255,000	1.890%	1.890%
12/01/2017	260,000	2.430%	2.430%
12/01/2018	265,000	2.920%	2.920%
12/01/2019	275,000	3.420%	3.420%
12/01/2020	285,000	3.920%	3.920%
12/01/2021	295,000	4.360%	4.360%
12/01/2022	310,000	4.620%	4.620%
12/01/2023	320,000	4.810%	4.810%

\$7,705,000 TAXABLE TERM BONDS

\$695,000 5.120% Taxable Term Bond due December 1, 2025 and priced to yield 5.120%

\$3,680,000 5.850% Taxable Term Bond due December 1, 2033 and priced to yield 5.850%

\$3,330,000 6.100% Taxable Term Bond due December 1, 2038 and priced to yield 6.100%

(Interest accrues from the Date of Delivery)

The Issuer reserves the right, at its option, to redeem the Taxable Bonds having stated maturities on and after December 1, 2024 in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on December 1, 2023 or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see "THE BONDS – Redemption Provisions of the Bonds" herein). (See "THE BONDS - Redemption Provisions of the Taxable Bonds - Optional Redemption" herein.) The Taxable Bonds maturing on December 1 in each of the years 2025, 2033 and 2038 (the "Taxable Term Bonds") are also subject to mandatory sinking fund redemption prior to stated maturity. (See "THE BONDS – Redemption Provisions of the Bonds - Mandatory Sinking Fund Redemption – Taxable").

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CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

5658 Bear Lane
Corpus Christi, Texas 78406
Phone: (361) 289-2712
Facsimile: (361) 289-0605

APPOINTED OFFICIALS

Name	Years Served	Term Expires	Primary Occupation
Mr. John Valls Board Chairman	8	01/2014	Consultant
Ms. Vangie Chapa Vice Chair	5	06/2014	Retired
Ms. Angie Flores-Granado Secretary	4	09/2015	Senior Adviser, Communications Director and Campaign Manager
Mr. Tony Elizondo Board of Director	2	06/2014	Director, Big Brothers & Sisters
Mr. Lamont Taylor Board of Director	2	09/2015	Consultant
Mr. Ray Hunt Board of Director	2	09/2015	Economic Development Director
Ms. Mary Saenz Board of Director	5	06/2014	Business Relations Consultant
Mr. George Clower Board of Director	1	06/2014	Realtor
Mr. Curtis Rock Board of Director	1	09/2015	Engineer
Mr. Thomas Dreyer Board of Director	1	06/2014	Retired
Mr. Robert Garcia Board of Director	2	09/2015	Budget Director
Ms. Crystal Lyons* Advisory Member	8	01/2014	Consultant

*Not a sitting board director.

ADMINISTRATIVE OFFICIALS

Name	Position	Years with the Issuer
Mr. Scott Neeley	Chief Executive Officer	2
Mr. Jorge Cruz-Aedo	Managing Director of Administration	4
Ms. Sharon Montez	Managing Director of Capital Programs	14
Ms. Rosa Villarreal	Managing Director of Operations	3
Mr. Robert Saldana	Director of Transportation	2
Mr. Jose Tovar	Director of Maintenance	11
Ms. Jane Dare Haas	Director of Marketing	1
Mr. Terry Klinger	Director of Special Services	5
Ms. Cindy O'Brien	Director of Finance	2.5 months
Mr. Keith Korenek	Director of Safety and Security	4 months

CONSULTANTS AND ADVISORS

Bond Counsel McCall, Parkhurst & Horton L.L.P.
San Antonio, Texas

Certified Public Accountants Collier, Johnson & Woods, P.C., Certified Public Accountants
Corpus Christi, Texas

Financial Advisor Southwest Securities, Inc.
San Antonio, Texas

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USE OF INFORMATION IN THE OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof.

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

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

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 JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

Neither the Issuer, the Financial Advisor, nor the Underwriters 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 or regarding any municipal bond insurance policy that may be obtained for the Bonds, as such information has been provided by DTC and the municipal bond insurance provider, respectively.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "Appendix F - Specimen Municipal Bond Insurance Policy".

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	The Corpus Christi Regional Transportation Authority (the "Issuer") is a metropolitan rapid transit authority existing and operating under Chapter 451, Texas Transportation Code, as amended ("Chapter 451"), and created pursuant to an election held on August 10, 1985, to provide public transportation in Nueces County and San Patricio County, Texas, including (but not limited to) the City of Corpus Christi, Texas.
The Bonds	The Corpus Christi Regional Transportation Authority System Revenue Bonds, Series 2013 (AMT) (the "Tax-Exempt Bonds") and the Corpus Christi Regional Transportation Authority System Revenue Bonds, Taxable Series 2013 (the "Taxable Bonds") are being issued as serial bonds maturing in the respective principal amounts shown on pages 2 and 3 hereof. Interest on the Bonds will accrue from December 17, 2013, the anticipated date of delivery of the Bonds to the Underwriters (the "Date of Delivery"), will be calculated on the basis of a 360-day year composed of twelve 30-day months, and will be payable on each June 1 and December 1, commencing on June 1, 2014, until stated maturity or prior redemption. (See "THE BONDS - General Description of the Bonds" herein.) The Tax-Exempt Bonds and the Taxable Bonds are collectively referred to herein as the "Bonds".
Authority for Issuance	The Bonds are being issued pursuant to the provisions of Chapter 451 and a resolution adopted by the Board of Directors of the Issuer (the "Board") on November 20, 2013 (the "Resolution"). (See "THE BONDS - Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar is BOKF, NA dba Bank of Texas, Austin, Texas.
Security	The Bonds are special obligations of the Issuer that are secured by and payable from a first lien on and pledge of the Pledged Revenues (as defined in the Resolution) generally being the Issuer's revenues derived from its ownership and operation of its transit system. (See "THE BONDS - Security for the Bonds" and Appendix A - "Selected Provisions of the Resolution".)
Redemption Provision of the Bonds	<p>The Issuer reserves the right, at its option, to redeem the Bonds having stated maturities on and after December 1, 2024, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on December 1, 2023 or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see "THE BONDS - Redemption Provisions of the Bonds" herein).</p> <p>The Tax-Exempt Term Bonds maturing on December 1 in each of the years in 2027, 2030, 2033 and 2038 are also subject to mandatory sinking fund redemption prior to stated maturity. (See "THE BONDS - Redemption Provisions of the Bonds - Mandatory Sinking Fund Redemption - Tax-Exempt" herein.)</p> <p>The Taxable Term Bonds maturing on December 1 in each of the years in 2025, 2033 and 2038 are also subject to mandatory sinking fund redemption prior to stated maturity. (See "THE BONDS - Redemption Provisions of the Bonds - Mandatory Sinking Fund Redemption - Taxable" herein.)</p>

Tax Matters	In the opinion of Bond Counsel to the Issuer, interest on the Tax-Exempt Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date hereof, except as explained under "TAX MATTERS RELATING TO THE TAX-EXEMPT BONDS" herein. Interest on the Tax-Exempt Bonds will be an item of tax preference for purpose of determining the alternative minimum tax imposed on individuals and corporations under section 57(a)(5) of the Code. The Taxable Bonds are not obligations described in Section 103(a) of the Internal Revenue Code of 1986. See "TAX MATTERS RELATING TO THE TAXABLE BONDS" herein.
Use of Bond Proceeds	Proceeds from the sale of the Tax-Exempt Bonds will be used to (1) renovate the existing Staples Street bus transfer station; (2) construct and equip a portion of a new multi-use building adjacent to the Staples Street bus transfer station; (3) construct a new parking lot to serve the Staples Street bus transfer station and the multi-use building, and (4) pay the costs of issuing the Tax-Exempt Bonds. Proceeds from the sale of the Taxable Bonds will be used to (1) construct and equip a portion of a new multi-use building adjacent to the Staples Street bus transfer station and (2) pay the costs of issuing the Taxable Bonds. (See "PLAN OF FINANCE", "SOURCES AND USES OF THE BONDS – TAX-EXEMPT BONDS" and "SOURCES AND USES OF FUNDS – TAXABLE BONDS" herein.)
Bond Insurance	The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)
Rating	Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business ("S&P") is expected to assign a municipal bond rating on the Bonds of "AA-" (stable outlook) based upon the municipal bond insurance policy to be issued by AGM at the time of delivery of the Bonds. The Bonds have an underlying rating of "A" by S&P. (See "OTHER PERTINENT INFORMATION - Rating" 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 and transfer relating to the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Payment Record	The Issuer has never defaulted on the payment of its bonded indebtedness.
Future Bond Issues	In the Resolution, the Issuer has reserved the right to issue "Additional Parity Obligations" secured by a lien on a pledge of the Pledged Revenues on parity with the Bonds, subject to satisfying certain requirements set forth in the Resolution. (See "THE BONDS - Additional Parity Obligations" and Sections 23 and 24 of the Resolution, excerpts of which appear in Appendix A of this Official Statement.) The Issuer does not anticipate the issuance of any Additional Parity Obligations within the next 12 months.
Delivery Date	When issued, anticipated on or about December 17, 2013.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of opinions as to legality by McCall, Parkhurst & Horton L.L.P., Bond Counsel, San Antonio, Texas.

OFFICIAL STATEMENT
relating to
CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

\$11,525,000
SYSTEM REVENUE BONDS, SERIES 2013 (AMT)

\$10,500,000
SYSTEM REVENUE BONDS, TAXABLE SERIES 2013

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the Corpus Christi Regional Transportation Authority (the "Issuer" or the "Authority") of its \$11,525,000 System Revenue Bonds, Series 2013 (AMT) (the "Tax-Exempt Bonds") and \$10,500,000 System Revenue Bonds, Taxable Series 2013 (the "Taxable Bonds") identified on the cover page hereof. The Tax-Exempt Bonds and the Taxable Bonds are collectively referred to herein as the "Bonds".

The Issuer is a metropolitan rapid transit authority existing and operating under Chapter 451, Texas Transportation Code, as amended, ("Chapter 451") and created pursuant to an election held on August 10, 1985, (the "Election") to provide public transportation in Nueces County and San Patricio County, Texas, including (but not limited to) the City of Corpus Christi, Texas. The Issuer is governed by a Board of Directors (the "Board") comprised of eleven directors, each of which serve staggered two-year terms with an eight year maximum. The City of Corpus Christi appoints five of the directors, Nueces County appoints three of the directors and a Small City Mayors' Committee, comprised of mayors of other smaller cities serviced by the Issuer, appoints two of the members. The Chairman is elected by the Board. The Chief Executive Officer of the Issuer is the chief administrative officer for the Issuer.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution authorizing the issuance of the Bonds (the "Resolution"). Included in this Official Statement are descriptions of the Bonds and certain information about the Issuer 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 Issuer or the Financial Advisor, via electronic mail or upon payment of reasonable handling, mailing and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Official Statement will be deposited with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Issuer's undertaking to provide certain information on a continuing basis.

PLAN OF FINANCE

Proceeds from the sale of the Tax-Exempt Bonds will be used to (1) renovate the existing Staples Street bus transfer station; (2) construct and equip a portion of a new multi-use building adjacent to the Staples Street bus transfer station; (3) construct a new parking lot to serve the Staples Street bus transfer station and the multi-use building, and (4) pay the costs of issuing the Tax-Exempt Bonds. Proceeds from the sale of the Taxable Bonds will be used to (1) construct and equip a portion of a new multi-use building adjacent to the Staples Street bus transfer station and (2) pay the costs of issuing the Taxable Bonds.

THE BONDS

General Description of the Bonds

The Bonds will be dated November 15, 2013, and will mature on the dates and in the principal amounts and will bear interest at the rates set forth on pages 2 and 3, respectively, of this Official Statement. The Bonds will be registered and will be in denominations of \$5,000 or any integral multiple thereof. The Bonds will bear interest from December 17, 2013 (the "Date of Delivery"), or from the most recent date to which interest has been paid or duly provided for, and will be paid semiannually on June 1 and December 1 of each year, commencing June 1, 2014 until stated maturity or prior redemption. Principal and interest on the Bonds are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM". In the event the Book-Entry-Only System is discontinued, the interest on the Bonds payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by BOKF, NA dba Bank of Texas, Austin, Texas, as the initial Paying Agent/Registrar, as of the fifteenth day of the month next preceding such interest payment date, by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Bonds will be payable at stated maturity upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

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

Authority for Issuance

The Bonds are being issued pursuant to the provisions of Chapter 451 and the Resolution adopted by the Board on November 20, 2013.

Security for the Bonds

The Bonds and any "Additional Parity Obligations" issued on a parity therewith (see "THE BONDS - Additional Parity Obligations" below) and any interest payable thereon, are and shall be secured by and payable from a first lien on and pledge of the "Pledged Revenues" (as defined in the Resolution) received by the Issuer. The Bonds and any Additional Parity Obligations issued in the future are referred to collectively herein and in the Resolution as the "Parity Obligations."

The Resolution defines "Pledged Revenues" to mean (i) a first and prior lien on the Net Operating Revenues, plus (ii) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the Issuer, at its sole discretion, to the payment of the Parity Obligations subsequent to the issuance of the Bonds (but none of which potential sources of additional security are initially so pledged).

The Resolution defines "Net Operating Revenues" to mean all Gross Operating Revenues for any period after the deduction of the Maintenance and Operating Expenses during such period which are not paid with Issuer's Sales Tax Revenues. See "THE BONDS – Issuer's Sales Tax Revenues" and "THE ISSUER'S SALES TAX".

The Resolution defines "Gross Operating Revenues" to mean for any defined period, all income, receipts, revenues, and increment which may be received or derived by the Issuer from its ownership and/or operation of the Transit Authority System, as defined in the Resolution, as it is purchased, constructed or otherwise acquired from time to time, including the proceeds of State and federal grants that are not specifically dedicated in purpose, but shall not mean, and shall specifically exclude (i) all Issuer's Sales Tax Revenues and (ii) the income and increment derived from a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities which under the terms of the authorizing resolution(s) or order(s) that may be pledged for the requirements of the Issuer's Special Facilities Bonds, as defined in the Resolution, issued particularly to finance facilities needed in performing any such contract or contracts.

The Resolution defines "Maintenance and Operating Expenses" to mean the expenses necessary to provide for the administration, efficient operation and adequate maintenance of the Transit Authority System, including the payment of necessary wages, salaries, and benefits, the acquisition of property and materials necessary to maintain the Transit Authority System in good condition and to operate it efficiently, together with such other costs and expenses as may now or hereafter be defined by law as proper maintenance and operation expenses of the Transit Authority System (which costs and expenses, however, specifically exclude (i) any allowance for depreciation, property retirement, depletion, or obsolescence, (ii) other items not requiring an outlay of cash, and (iii) any interest (accrued or capitalized) on Parity Obligations now or hereafter outstanding.

In the Resolution, the Issuer has covenanted to utilize the Issuer's Sales Tax Revenues to pay Maintenance and Operating Expenses prior to any other lawful use. See "THE BONDS – Issuer's Sales Tax Revenues" and "THE ISSUER'S SALES TAX".

The Bonds may not be paid in whole or in part from any sales taxes levied or to be levied by the Issuer and do not constitute a debt of and do not give rise to a claim for payment against the Issuer, except as to the Pledged Revenues held by the Issuer and required to be paid to the Issuer as permitted by Chapter 451. THE BONDS DO NOT CREATE A CLAIM FOR PAYMENT AGAINST THE REVENUE OR PROPERTY OF THE ISSUER OTHER THAN THE "PLEDGED REVENUES" DESCRIBED HEREIN, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE BONDS.

Pledge Under Resolution

The Issuer covenants and agrees that the Pledged Revenues, with the exception of those in excess of the amounts required for the payment and security of the Parity Obligations, are irrevocably pledged to the payment and security of the Parity Obligations, including the establishment and maintenance of the special funds created and established or maintained in the Resolution and any subsequent resolution authorizing the issuance of any Additional Parity Obligations. The Resolution further provides that the Parity Obligations shall constitute a lien on and pledge of the Pledged Revenues in accordance with the terms of the Resolution and any subsequent resolution authorizing the issuance of any Additional Parity Obligations, which lien shall be valid and binding without any further action by the Issuer and without any filing or recording with respect thereto except in the records of the Issuer.

Perfection of Security for the Bonds

Chapter 1208, as amended, Texas Government Code, applies to the issuance of the Parity Obligations and the pledge of the Pledged Revenues, and such pledge is therefore, valid, effective and perfected. Should Texas law be amended while any Parity Obligations are outstanding and unpaid, the result of such amendment being that the pledge of the Pledged Revenues is to be subject to the filing requirements of Chapter 9, Texas Business and Commerce Code, in order to preserve to the registered owners of the Parity Obligations a security interest in such pledge, the Issuer agrees to take such measures as it determines is reasonable and necessary to enable a filing of a security interest in said pledge to occur.

Rates and Charges

For the benefit of the owners of the Parity Obligations, the Issuer, in the Resolution, has covenanted, while any of the Parity Obligations are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the Transit Authority System that are reasonably expected, on the basis of available information and experience [with due allowance for contingencies and after taking into account any other lawfully available funds (including the use of lawfully available fund balances) that have been budgeted by the Board to pay Maintenance and Operating Expenses or debt service requirements on Outstanding Debt and after taking into account the Issuer's Sale Tax Revenues that have been budgeted by the Board to pay Maintenance and Operating Expenses], to produce Gross Operating Revenues in each Fiscal Year reasonably anticipated to be sufficient:

- A. to pay Maintenance and Operating Expenses;
- B. to produce Net Operating Revenues at least equal to 1.10 times the annual Debt Service Requirements for such Fiscal Year;
- C. to enable the Issuer to make the deposits and credits, if any, from Pledged Revenues (i) to the Reserve Fund, if any, to restore the Required Reserve Amount, including the payment of any Reserve Fund Obligation Payment then due, and (ii) to other reserve funds to establish or restore the reserve securing any issue or series of Additional Parity Obligations;
- D. to produce Net Operating Revenues, together with any other lawfully available funds (including the proceeds of Debt which the Issuer expects will be utilized to pay all or part of the principal of and/or interest on any obligations described in this subsection D), sufficient to pay the principal of and interest on any Subordinate Lien Obligations issued by the Issuer and the amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Subordinate Lien Obligations and any other obligations or evidences of indebtedness issued or incurred that are payable from, in whole or in part, a subordinate lien on and pledge of the Net Operating Revenues; and
- E. to pay any other Debt payable from available revenues of the Issuer.

To initiate or change a fare, toll, charge, rent, or other compensation, the Authority must first present the proposed change to the Board. If approved by the Board, the change will then be presented to the eleven-member Local Government Approval Committee (the "LGAC") for final approval and implementation. The LGAC is comprised of the following members: five (5) members are appointed by the City of Corpus Christi, Texas, in its capacity as the principal city located in the Authority service area; three (3) members are appointed by the Nueces County Commissioners Court; and three of the members are appointed by a Small City Mayors' Committee, comprised of mayors of other smaller cities serviced by the Authority. Notwithstanding the foregoing, Section 451.061(a) of the Texas Transportation Code, as amended, states that the Authority shall at all times charge fares for its services that produces gross operating revenues sufficient to pay all Maintenance and Operating Expenses as well as all payments required in connection with any outstanding bonds of the Authority that are payable in whole or in part from Net Operating Revenues (inclusive of the Bonds and any Additional Parity Bonds or Subordinate Lien Obligations hereafter issued by the Authority).

Additional Parity Obligations

In the Resolution, the Issuer reserves the right to issue Additional Parity Obligations payable from and equally and ratably secured by a parity lien on and pledge of the Pledged Revenues subject to satisfying certain terms and conditions including obtaining a certificate from the Chief Financial Officer of the Issuer to the effect that, according to the books and records of the Issuer, the Pledged Revenues received by the Issuer for the last completed Fiscal Year or for any twelve consecutive months ending not more than ninety days prior to the date of the then proposed Additional Parity Obligations were equal to not less than 3.0 times the average annual Debt Service Requirements for all Parity Obligations then outstanding after giving effect to the issuance of the Additional Parity Obligations then being issued.

Subordinate Lien Obligations

In the Resolution, the Issuer reserves the right to issue at any time, obligations including, but not limited to, Subordinate Lien Obligations, payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Net Operating Revenues, subordinate and inferior in rank and dignity to the lien on and pledge of Pledged Revenues securing the payment of the Parity Obligations, including the Bonds, as may be authorized by the laws of the State.

Issuer's Sales Tax Revenues

Pursuant to the Election and pursuant to Chapter 451, the Issuer levies a ½ of 1% sales and use tax to support the operation and maintenance of the Transit Authority System (the "Issuer's Sales Tax" and the revenues resultant therefrom, the "Issuer's Sales Tax Revenues"). In the Resolution, the Issuer covenants and agrees that, while any Parity Obligations are outstanding, the Issuer will take all steps necessary in any action at law or in equity to ensure that the Issuer will levy, charge and collect the Issuer's Sales Tax. In the Resolution, the Issuer has covenanted to utilize the Issuer's Sales Tax Revenues to pay Maintenance and Operating Expenses prior to any other lawful use. **The Issuer's Sales Tax is not pledged to secure the payment of debt service on the Bonds.** See "THE ISSUER'S SALES TAX".

Operating Fund

The Resolution establishes a fund named the "Operating Fund". All Gross Operating Revenues and Issuer's Sales Tax Revenues will be deposited and credited to the Operating Fund (but accounted for separately) immediately as collected and received. Funds on deposit in the Operating Fund shall be separate from the funds required to be held in a special Operating Reserve Fund as required by Section 451.134 of Chapter 451.

All Issuer's Sales Tax Revenues deposited and credited to the Operating Fund shall be used first to pay Maintenance and Operating Expenses then to fund construction or acquisition of capital improvements, fund any deficiency in the Operating Reserve Fund so that the amount therein is not less than the amount required pursuant Section 451.134 of Chapter 451 or used for other lawful purposes but shall not be pledged to secure, or used to pay debt service on, the Parity Obligations. See "THE ISSUER'S SALES TAX".

Flow of Funds

All Gross Operating Revenues deposited and credited to the Operating Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

FIRST: to the payment of all necessary and reasonable Maintenance and Operating Expenses to the extent not paid with Issuer's Sales Tax Revenues or other available funds of the Issuer.

SECOND: to the payment of the amounts required to be deposited and credited to the Interest and Sinking Fund created and established for the payment of the Parity Obligations issued by the Issuer as the same become due and payable.

THIRD: pro rata to the payment of the amounts required to be deposited and credited to any Reserve Fund created and established to maintain the Required Reserve Amount in accordance with the provisions of any resolution authorizing Parity Obligations, including amounts owed with respect to any Reserve Fund Obligation to restore the Required Reserve Amount.

FOURTH: to the payment of debt service payments and reserve fund payments related to Subordinate Lien Obligations.

FIFTH: to the payment of the amounts required for any lawful purpose.

Interest and Sinking Fund

The Resolution establishes a fund named the "Interest and Sinking Fund". The Issuer shall make such deposits and credits to pay maturing principal, accrued interest, and mandatory sinking fund redemptions (as applicable) on the Parity Obligations in substantially equal monthly installments.

Reserve Fund for Tax-Exempt Bonds

In the Resolution, the Issuer establishes a separate and distinct account in the Reserve Fund for the sole benefit of the registered owners of the Tax-Exempt Bonds (the "Tax-Exempt Bonds Reserve Fund"). The amount required to be on deposit in the Tax-Exempt Bonds Reserve Fund is equal to the lesser of (i) 125% of the average annual Principal and Interest Requirements of the Tax-Exempt Bonds calculated on the date of issuance and delivery of the Tax-Exempt Bonds, (ii) 100% of the maximum annual principal and interest requirements of the Tax-Exempt Bonds calculated on the date of issuance and delivery of the Tax-Exempt Bonds, and (iii) 10% of the principal amount of the Tax-Exempt Bonds (the "Tax-Exempt Bonds Reserve Fund Requirement"). The Issuer initially shall fund the Tax-Exempt Bonds Reserve Fund on the date of delivery of the Tax-Exempt Bonds by depositing legally available cash on hand in an amount equal to the Tax-Exempt Bonds Reserve Fund Requirement. When and so long as the money and investments in the Tax-Exempt Bonds Reserve Fund total not less than the Tax-Exempt Bonds Reserve Fund Requirement, no deposits need be made to the credit of the Tax-Exempt Bonds Reserve Fund; but when and if the Tax-Exempt Bonds Reserve Fund at any time contains less than the Tax-Exempt Bonds Reserve Fund Requirement, the Issuer covenants and agrees to cure the deficiency in the Tax-Exempt Bonds Reserve Fund Requirement within sixty (60) months from the date the deficiency occurred by making monthly deposits from funds on deposit in the Operating Fund (but only after making the required deposits to pay Maintenance and Operating Expenses and necessary deposits into the Interest and Sinking Fund) on the 25th day of each month in approximately equal amounts. During such time as the Tax-Exempt Bonds Reserve Fund contains the Tax-Exempt Bonds Reserve Fund Requirement, the Issuer may, at its option, withdraw all surplus funds in the Tax-Exempt Bonds Reserve Fund in excess of the Tax-Exempt Bonds Reserve Fund Requirement and deposit such surplus in the Operating Fund.

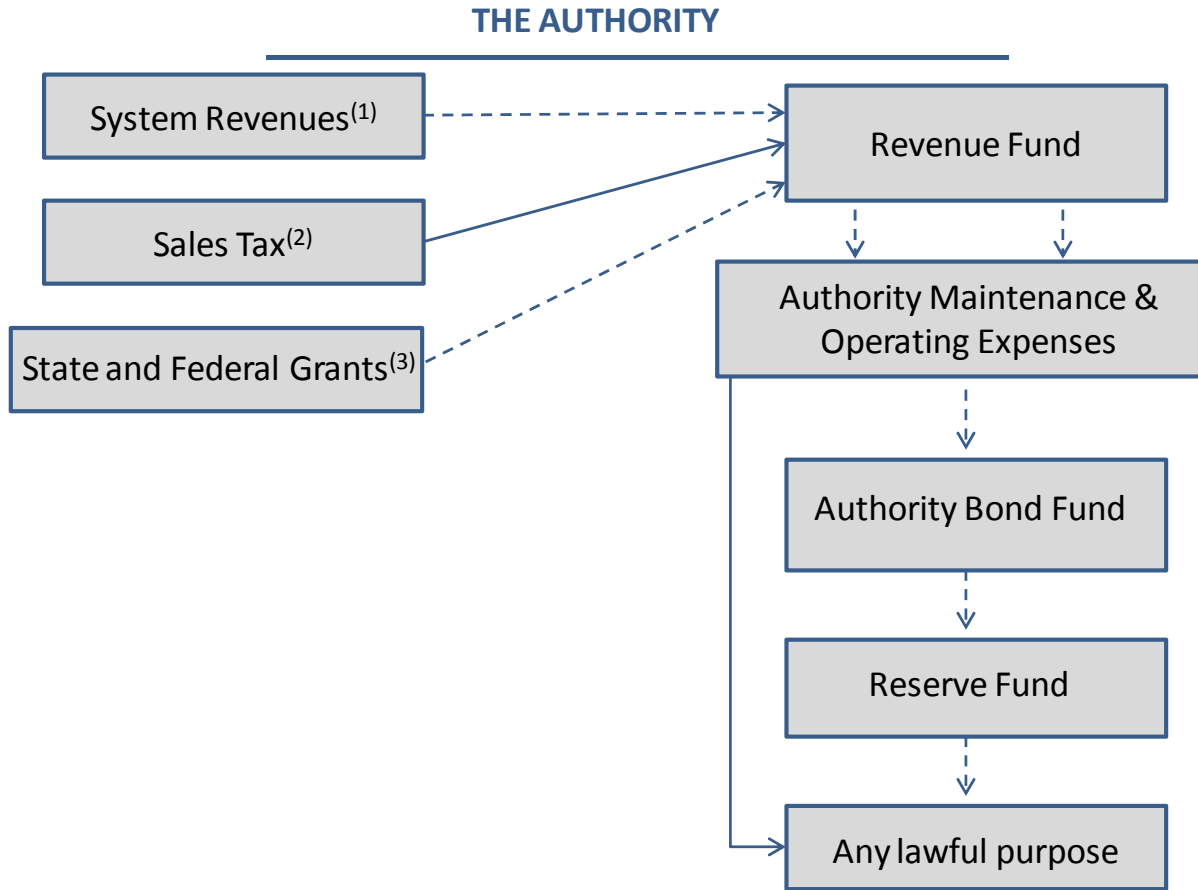
For the purpose of determining the amount on deposit to the credit of the Tax-Exempt Bonds Reserve Fund, investments in which money in such account shall have been invested shall be computed at cost. The amount on deposit to the credit of the Tax-Exempt Bonds Reserve Fund shall be computed by the Issuer at least annually, and shall be computed immediately upon any withdrawal from the Tax-Exempt Bonds Reserve Fund. See "SELECTED PROVISIONS OF THE RESOLUTION" in APPENDIX A hereto.

Reserve Fund for Taxable Bonds

In the Resolution, the Issuer establishes a separate and distinct account in the Reserve Fund for the sole benefit of the registered owners of the Taxable Bonds (the "Taxable Bonds Reserve Fund"). The amount required to be on deposit in the Taxable Reserve Fund Account is an amount equal to 100% of the maximum annual principal and interest requirements of the Taxable Bonds calculated on the date of issuance and delivery of the Taxable Bonds (the "Taxable Reserve Fund Requirement"). The Issuer initially shall fund the Taxable Bonds Reserve Fund on the date of delivery of the Taxable Bonds by depositing legally available cash on hand in an amount equal to the Taxable Reserve Fund Requirement. When and so long as the money and investments in the Taxable Bonds Reserve Fund total not less than the Taxable Reserve Fund Requirement, no deposits need be made to the credit of the Taxable Bonds Reserve Fund; but when and if the Taxable Bonds Reserve Fund at any time contains less than the Taxable Reserve Fund Requirement, the Issuer covenants and agrees to cure the deficiency in the Taxable Reserve Fund Requirement within sixty (60) months from the date the deficiency occurred by making monthly deposits from funds on deposit in the Operating Fund (but only after making the required deposits to pay Maintenance and Operating Expenses and necessary deposits into the Interest and Sinking Fund) on the 25th day of each month in approximately equal amounts. During such time as the Taxable Bonds Reserve Fund contains the Taxable Reserve Fund Requirement, the Issuer may, at its option, withdraw all surplus funds in the Taxable Bonds Reserve Fund in excess of the Taxable Reserve Fund Requirement and deposit such surplus in the Operating Fund. For the purpose of determining the amount on deposit to the credit of the Taxable Bonds Reserve Fund, investments in which money in such account shall have been invested shall be computed at cost. The amount on deposit to the credit of the Taxable Bonds Reserve Fund shall be computed by the Issuer at least annually, and shall be computed immediately upon any withdrawal from the Taxable Bonds Reserve Fund. See "SELECTED PROVISIONS OF THE RESOLUTION" in APPENDIX A hereto.

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FLOW OF FUNDS DIAGRAM



⁽¹⁾ Dotted line represents Gross Operating Revenues as flowed through the flow of funds included in the Resolution authorizing the Bonds. Gross Operating Revenues used for Maintenance and Operating Expenses in 2012 was \$0.

⁽²⁾ The Issuer's Sales Tax is not pledged to secure the payment of debt service on the Bonds. In the Resolution, the Issuer has covenanted to utilize the Issuer's Sales Tax Revenues to pay Maintenance and Operating Expenses prior to any other lawful use. Sales Tax Revenues used for Maintenance and Operating Expenses in 2012 was approximately \$32,696,004 (or approximately 100% of total Maintenance and Operating Expenses). See "THE BONDS – Issuer's Sales Tax Revenues" and "THE ISSUER'S SALES TAX".

⁽³⁾ Proceeds of State and federal grants that are not specifically dedicated in purpose are included in the definition of Gross Operating Revenues and may be used to pay Maintenance and Operating Expenses and debt service on the Bonds. State and federal grants are separated in this diagram for purposes of illustration.

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Redemption Provision of the Bonds

Optional Redemption

The Issuer reserves the right, at its option, to redeem the Bonds having stated maturities on and after December 1, 2024, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on December 1, 2023, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

If less than all of the Bonds of any maturity are to be redeemed, the Issuer shall determine the amounts of each maturity or maturities to be redeemed and shall direct the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) to select by lot the Bonds, or portions thereof, within such maturity or maturities to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Mandatory Sinking Fund Redemption - Tax-Exempt

The Tax-Exempt Bonds maturing on December 1 in each of the years 2027, 2030, 2033 and 2038 (the "Tax-Exempt Term Bonds") are also subject to mandatory redemption prior to stated maturity in part by lot, at a price equal to the principal amount thereof plus accrued interest to the date of redemption, in the respective years and principal amounts shown below:

\$870,000 Tax-Exempt Term Bond Maturing on December 1, 2027

<u>Mandatory Redemption Dates</u>	<u>Principal Amounts</u>
December 1, 2026	\$425,000
December 1, 2027 (Maturity)	445,000

\$1,470,000 Tax-Exempt Term Bond Maturing on December 1, 2030

<u>Mandatory Redemption Dates</u>	<u>Principal Amounts</u>
December 1, 2028	\$465,000
December 1, 2029	490,000
December 1, 2030 (Maturity)	515,000

\$1,700,000 Tax-Exempt Term Bond Maturing on December 1, 2033

<u>Mandatory Redemption Dates</u>	<u>Principal Amounts</u>
December 1, 2031	\$540,000
December 1, 2032	565,000
December 1, 2033 (Maturity)	595,000

\$3,490,000 Tax-Exempt Term Bond Maturing on December 1, 2038

<u>Mandatory Redemption Dates</u>	<u>Principal Amounts</u>
December 1, 2034	\$625,000
December 1, 2035	660,000
December 1, 2036	695,000
December 1, 2037	735,000
December 1, 2038 (Maturity)	775,000

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Mandatory Sinking Fund Redemption - Taxable

The Taxable Bonds maturing on December 1 in each of the years 2025, 2033 and 2038 (the “Taxable Term Bonds, and together with the Tax-Exempt Term Bonds, the “Term Bonds”) are also subject to mandatory redemption prior to stated maturity in part by lot, at a price equal to the principal amount thereof plus accrued interest to the date of redemption, in the respective years and principal amounts shown below:

\$695,000 Taxable Term Bond Maturing on December 1, 2025

<u>Mandatory Redemption Dates</u>	<u>Principal Amounts</u>
December 1, 2024	\$340,000
December 1, 2025 (Maturity)	355,000

\$3,680,000 Taxable Term Bond Maturing on December 1, 2033

<u>Mandatory Redemption Dates</u>	<u>Principal Amounts</u>
December 1, 2026	\$375,000
December 1, 2027	395,000
December 1, 2028	420,000
December 1, 2029	445,000
December 1, 2030	470,000
December 1, 2031	495,000
December 1, 2032	525,000
December 1, 2033 (Maturity)	555,000

\$3,330,000 Taxable Term Bond Maturing on December 1, 2038

<u>Mandatory Redemption Dates</u>	<u>Principal Amounts</u>
December 1, 2034	\$590,000
December 1, 2035	625,000
December 1, 2036	665,000
December 1, 2037	705,000
December 1, 2038 (Maturity)	745,000

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Bonds, the Paying Agent/Registrar shall select by lot the numbers of the Term Bonds within the applicable Stated Maturity to be redeemed on the next following December 1 from moneys set aside for that purpose in the Interest and Sinking Fund (as defined in the Order). Any Term Bonds not selected for prior redemption shall be paid on the date of their Stated Maturity.

The principal amount of a Term Bond required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the District, by the principal amount of any Term Bonds of such stated maturity which, at least fifty (50) days prior to the mandatory redemption date (1) shall have been defeased or acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District with money in the Interest and Sinking Fund, or (3) shall have been redeemed pursuant to the optional redemption provisions described above and not theretofore credited against a mandatory redemption requirement.

Selection of Bonds to be Redeemed. The Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any integral multiple thereof). The Bonds to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same stated maturity and interest rate for the unredeemed portion of the principal. If less than all of the Bonds of any maturity are to be redeemed, the District will determine the amounts of each maturity or maturities to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) to select, by such random method as it deems fair and appropriate, the particular Bond or Bonds, or portions thereof, within such maturity or maturities to be redeemed. If a Bond (or any portion of the principal sum thereof) will have been called for redemption and notice or such redemption will have been given, such Bond (or the principal amount thereof to be redeemed), will become due and payable on such redemption date and interest thereon will cease to accrue or accrete from and after the redemption date, provided funds for the payment of the redemption price and accrued or accreted interest thereon are held by the Paying Agent/Registrar on the redemption date.

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Notice of Redemption

Not less than 30 days prior to a redemption date for the Bonds, a notice of redemption shall be sent by United States mail, first class, postage prepaid, in the name of the Issuer and at the Issuer's expense, by the Paying Agent/Registrar to each registered owner of a Bond to be redeemed in whole or in part at the address of the registered owner appearing on the Security Register at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED WILL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION WILL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF WILL CEASE TO ACCRUE.

All notices of redemption must (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Bonds, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner.

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 Resolution or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised or 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 Resolution and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer or 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.)

Payment Record

The Issuer has never defaulted on the payment of its bonded indebtedness.

Amendments

The Issuer may amend the Resolution without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including (i) adding to the covenants and agreements of the Issuer in the Resolution other covenants and agreements thereafter to be observed, grant additional rights or remedies to Owners or to surrender, restrict or limit any right or power reserved in the Resolution to or conferred upon the Issuer; (ii) curing any ambiguity, or curing, correcting or supplementing any defective provision contained in the Resolution, or in regard to clarifying matters or questions arising under the Resolution, as are necessary or desirable and not contrary to or inconsistent with the Resolution and which shall not adversely affect the interests of the Owners of the Parity Obligations; (iii) making any changes or amendments requested by any Rating Agency, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Issuer, materially adversely affect the interests of the owners of the Outstanding Parity Obligations; (iv) making such changes, modifications or amendments as may be necessary or desirable, which shall not adversely affect the interests of the owners of the Outstanding Parity Obligations, in order, to the extent permitted by law, to facilitate the economic and practical utilization of credit agreements with respect to the Parity Obligations including, without limitation, supplementing the definition of "Annual Debt Service Requirements" to address the amortization of payments due and owing under a credit agreement; (v) modifying any of the provisions of the Resolution in any other respect whatever, provided that (a) such modification shall be, and be expressed to be, effective only after all Parity Obligations Outstanding at the date of the adoption of such modification shall cease to be Outstanding, and (b) such modification shall be specifically referred to in the text of all Additional Parity Obligations issued after the date of the adoption of such modification. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Resolution; except that, without the consent of the registered owners of all of the Bonds affected, no such amendment, addition, or rescission may (i) make any change in the maturity of the Outstanding Parity Obligations; (ii) reduce the rate of interest borne by any of the Outstanding Parity Obligations; (iii) reduce the amount of the principal payable on the Outstanding Parity Obligations; (iv) modify the terms of payment of principal or interest on the Outstanding Parity Obligations or impose any conditions with respect to such payment; (v) affect the rights of the Owners of less than all of the Parity Obligations then Outstanding; (vi) change the minimum percentage of the principal amount of Parity Obligations necessary for consent to such amendment.

Defeasance

The Resolution provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the 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 that 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 Bonds. The Resolution provides that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) 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, (c) 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 (d) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Bonds. The Issuer 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 Issuer 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 for purposes of applying any limitation on indebtedness. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the Issuer to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the Issuer has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the Issuer: (i) in the proceeding 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 authorizes.

Default and Remedies

The Resolution establishes specific events of default with respect to the Bonds. If the Issuer defaults in the payment of the principal of or interest on the Bonds when due, defaults in the deposits and credits required to be made to the Interest and Sinking Fund or the Reserve Fund, or the Issuer defaults in the observance or performance of any of the covenants, conditions, or obligations of the Issuer, the Resolution provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the Issuer to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Resolution and the Issuer's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Resolution does not provide for the appointment of a trustee to represent the interest of the registered owners upon any failure of the Issuer to perform in accordance with the terms of the Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the Issuer's sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the Issuer for breach of the obligations or covenants in the Resolution. Even if a judgment against the Issuer could be obtained, it could not be enforced by direct levy and execution against the Issuer's property. Further, the registered owners cannot themselves foreclose on property within the Issuer or sell property within the Issuer to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the Issuer is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such provision is subject to judicial construction. Chapter 9 includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the Issuer avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

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SOURCES AND USES OF THE BONDS – TAX-EXEMPT BONDS

The proceeds from the sale of the Tax-Exempt Bonds, together with a contribution from the Issuer, will be applied approximately as follows:

Sources:	
Principal Amount of the Tax-Exempt Bonds	\$11,525,000.00
Net Original Issue Discount	(23,355.20)
Issuer Contribution	<u>1,108,991.33</u>
Total Sources of Funds	\$12,610,636.13

Uses:	
Deposit to Construction Fund	\$11,500,000.00
Debt Service Reserve Fund	816,760.00
Issuance Expenses (includes insurance premium)	190,714.01
Underwriters' Discount	101,517.32
Additional Proceeds	<u>1,644.80</u>
Total Uses of Funds	\$12,610,636.13

SOURCES AND USES OF THE BONDS – TAXABLE BONDS

The proceeds from the sale of the Taxable Bonds, together with a contribution from the Issuer, will be applied approximately as follows:

Sources:	
Principal Amount of Taxable Bonds	\$10,500,000.00
Issuer Contribution	<u>1,075,870.93</u>
Total Sources of Funds	\$11,575,870.93

Uses:	
Deposit to Construction Fund	\$10,500,000.00
Debt Service Reserve Fund	794,541.50
Issuance Expenses (includes insurance premium)	189,609.59
Underwriters' Discount	<u>91,719.84</u>
Total Uses of Funds	\$11,575,870.93

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REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA dba Bank of Texas, Austin, Texas. In the Resolution, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking association or corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and registered as a transfer agent with the Securities and Exchange Commission. Upon a change in the Paying Agent/Registrar for the Bonds, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds affected by the change by United States mail, first-class, postage prepaid.

Record Date

The record date ("Record Date") for determining the party to whom interest on a Bond is payable on any interest payment date means the fifteenth day of the month next preceding each interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar. (See "REGISTRATION, TRANSFER AND EXCHANGE - Special Record Date for Interest Payment" herein.)

Future Registration

In the event the Bonds are not in the Book-Entry-Only System, the Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Bond or Bonds surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to ownership and transferability of the Bonds.)

Special Record Date for Interest Payment

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last day next preceding the date of mailing of such notice.

Limitation on Transfer of Bonds

Neither the Issuer nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Bond during (i) the period commencing with the close of business on any Record Date immediately preceding a principal or interest payment date for such Bond 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, within 30 days of the date fixed for redemption, provided, however, such limitation of transfer will not be applicable to an exchange by the registered owner of the uncalled balance of a Bond called for redemption in part.

Replacement Bonds

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

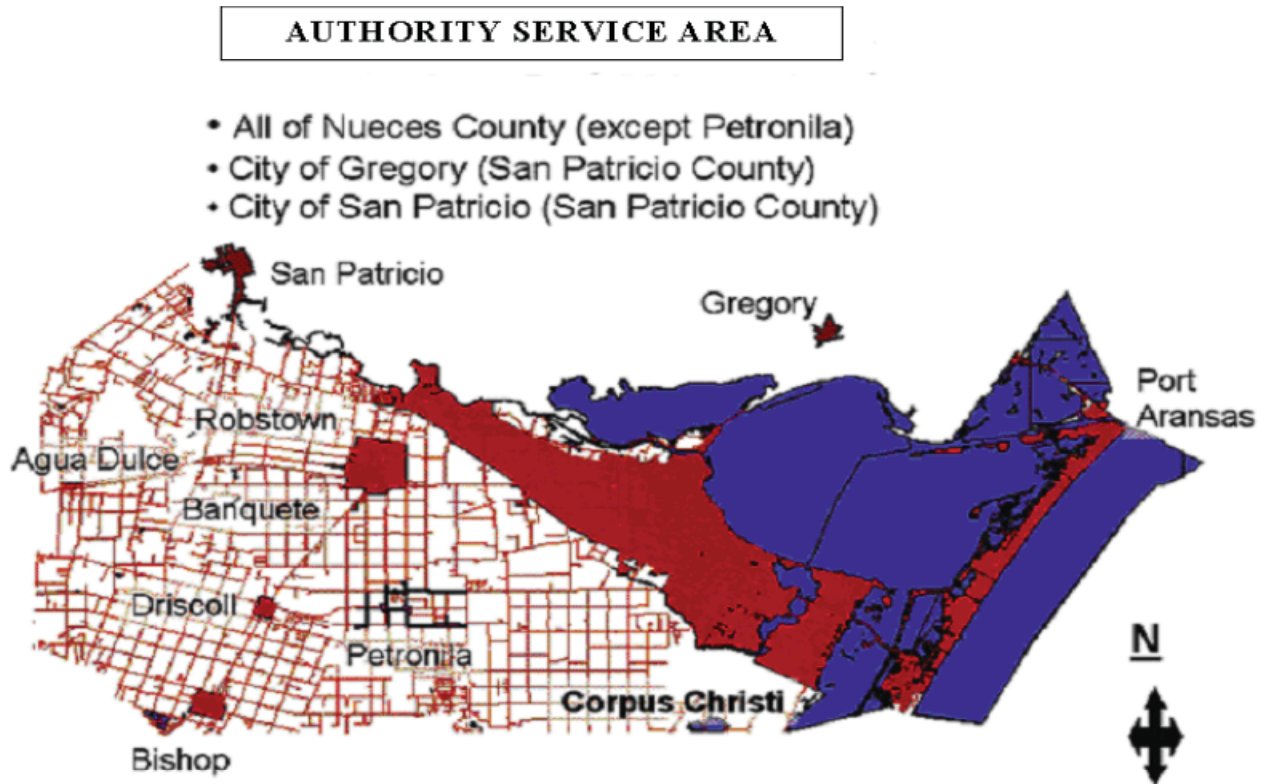
THE ISSUER AND ITS TRANSIT AUTHORITY SYSTEM

Creation and Governance of the Issuer

The Issuer is a metropolitan rapid transit authority existing and operating under Chapter 451 and created pursuant to the Election to provide public transportation in Nueces County and San Patricio County, Texas, including (but not limited to) the City of Corpus Christi, Texas. The Issuer is governed by the Board, which is comprised of eleven directors each of which serve in staggered two-year terms with an eight year maximum. The City of Corpus Christi appoints five of the directors, Nueces County appoints three of the directors and a Small City Mayors' Committee, comprised of mayors of other smaller cities serviced by the Issuer, appoints two of the members. The Chairman is elected by the Board. The Chief Executive Officer of the Issuer is the chief administrative officer for the Issuer.

Service Area

The following image shows the Issuer's service area.



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Services

The Authority serves a population of approximately 342,412 residents in its 838 square miles of service area, along with visitors drawn to area beaches and attractions. Located in Corpus Christi, Texas, on the coast of the Gulf of Mexico, the Authority is a regional provider of mass transit service, primarily in Nueces County and also in parts of San Patricio County. Nueces County communities served include the cities of Aqua Dulce, Bishop, Corpus Christi, Driscoll, Port Aransas, Robstown, and the unincorporated areas of the County. San Patricio County coverage includes the cities of Gregory and San Patricio.

Services of the Authority, also known locally as the “B,” include 36 fixed routes (including two waterborne routes on the Corpus Christi Bay and 34 bus routes); 34 demand-service vehicles for paratransit curb-to-curb service for qualifying individuals; and commuter vanpool services for seven employer groups (with commitments to add two new vanpool services – one in November, 2013, and another in January, 2014).

Transit System

The Authority’s mass transit service is transforming with the launch of the Priority Transit Network (“PTN”) along three major arterials of Corpus Christi, and the addition of 15-minute frequency in early 2014, all as part of the implementation of the Long Range Strategic Plan “Vamonos!” (as such plan is further described below).

The PTN of nearly 50 miles will increase the intensity of service in areas of the community where service is already popular and where 80% of all Authority’s customers’ boardings currently originate.

Fuel Conversion: The Authority’s entire fleet of 75 buses and 34 paratransit vehicles is undergoing a conversion to compressed natural gas (“CNG”), an affordable, domestically-produced fuel source. In preparation for the fleet conversion, the Authority constructed the largest fast-fill fueling station in South Texas with three 500-horsepower compressors capable of fueling 12 buses in six minutes.

Bus Service: The Authority operates a fleet of 75 buses for fixed-route service, 34 paratransit vehicles, seven ancillary support vehicles, plus several transit centers located throughout the service area, including: Port Ayers Station, Six Points Station, Staples Street Station, Southside Station, Gregory Park & Ride, Calallen Park & Ride, Robstown Station, and Robstown Park & Ride. Passenger facilities maintained by the Authority include over 1400 bus stops, three Park & Ride lots and five transfer stations.

All fixed-route vehicles are outfitted with Wi-Fi connectivity, low-floor alignment, three wheelchair securements and dual bike racks.

In fiscal year 2012, the Authority’s buses ran 3,005,687 revenue miles over a system serving 838 square miles with approximately 5,764,790 unlinked trips (boardings) for a total of 23,415,114 total passenger miles.

Paratransit Service: To accommodate the growing demand for accessible services, the Authority established a paratransit service that provides more tailored options for individuals with disabilities. The Authority’s paratransit service, also known locally as “B-Line”, provided 202,974 boardings, to qualified participants, of the demand service in 2012. Individuals must apply and meet eligibility criteria in order to utilize the paratransit service. A fleet of 34 paratransit vehicles ran 1,189,505 revenue miles in 2012.

Commuter Vanpool Service: This service is a joint venture with area employers designed to transport individuals to work. Started in 1993, with two vans, the service continues to grow with a current fleet inventory of seven vehicles, and plans for an additional vehicle to be added in November, 2013 and another in January, 2014 as the regional workforce continues to grow (fueled by the Eagle Ford Shale phenomena). Employers within the Authority’s service area pay 50% of expenses relative to the service, and employers within the additionally approved Corpus Christi Metropolitan Area pay 75% of expenses. Year-to-date commuter vanpool passenger trips in September 2013 totaled 7,950.

The Authority’s Long Range Capital Plan “Vamonos!”

In 2012, the Authority approved a long range capital plan (the “Long Range Plan”) that includes strategies for bus and paratransit vehicle replacement as well as certain projects and improvements targeting growth of service in the region. The Long Range Plan is formally known as “Vamonos!” and looks forward 20 years. The Authority’s 20-year projections for operational and capital costs were estimated for the services, facilities, and programs included in the Long Range Plan. Capital costs include the new customer service center (being financed in part with the proceeds of the Bonds) (the “Customer Service Center”) and other new transit stations in future years. There is also a new CNG fueling facility and related maintenance facility modifications being completed for \$3.2 million. Also included in the Long Range Plan are new fleet purchases for fixed routes (35 and 40 foot vehicles) and smaller buses for flexible and paratransit services. Bus stop improvements and Authority contributions to roadway maintenance are also part of the Long Range Plan. Annual capital costs range between \$4 and \$19 million between 2013 and 2032 (\$275 million total).

In keeping with the vision statement of the Issuer, increasing mobility and enhancing the local economy are important goals of the Long Range Plan. To that end, the Long Range Plan sets a goal of increasing ridership to 10 million passenger trips over the next 10 years. Expanding usage aligns well with community goals of improving the safety, health, and environment of the region. To meet this ambitious mark, the Long Range Plan recommends:

- A Priority Transit Network of nearly 50 miles that increases the intensity of service in areas of the community where transit is already popular. This service would provide a substantial improvement in the mobility of most current customers (over 80% of all Issuer boardings are near these corridors) while also offering a much more attractive product to potential riders. Higher frequency results in improved convenience for customers.
- A redesign of downtown services that is better tailored to the various markets in that part of the community.
- New flexible services that provide necessary service to lower density portions of the service area but do so in a way that can improve both customer service and cost effectiveness. In addition, by adding a personalization component, these services can better meet the demands of older customers or customers with mobility impairments.
- Strategic measures to ensure the growth of ridership remains at financially sustainable levels, and ensures this critical service remains available for those who need it. Some of these measures include partnering with other public and private transportation providers to allow passengers to make trips in whatever way is most convenient to them.
- Expanded waterborne transit to improve other connections within the service area. This type of service is significantly more costly than others which limit the scale of expansion. However, strategic improvements to new locations with a schedule tailored to forecast demand can add an additional amenity within the service area.
- The Customer Service Center near the existing Staples Street Station to add additional services at this location for customers and improve the urban environment in this area.
- An investigation of the suitability of a new transit station on the Westside of Corpus Christi to improve services in that area with high transit ridership. Additionally, new park and ride locations to be considered to improve access to the Transit Authority System.
- A commitment to enhance the passenger waiting experience by ensuring at least 95% of all boardings at fixed locations happen under cover of a station or shelter.
- Increase street maintenance contributions to an estimated \$75 million for local partners over the next 20 years.

The City of Corpus Christi recently adopted its Integrated Community Sustainability Plan. The plan presents guiding principles for future planning decisions in Corpus Christi. The Long Range Plan specifically identifies areas for enhancements to the Authority's current capital facilities and services to assist the City in reaching the objectives established in the Integrated Community Sustainability Plan. Neither of these plans will occur quickly. The Long Range Plan is a twenty-year plan that is dependent on on-going availability of revenue to sustain and improve current facilities and services. The Integrated Community Sustainability Plan relies on development market forces to advance its goals. Neither plan is assured of full success, but the goal is for the two plans to work together in a way that meets Corpus Christi's goals for a more sustainable community and meets the Issuer's goals of increasing ridership, improving service and enhancing facilities.

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Long Range Plan Forecasted Expenditures (2013-2018)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Funding Source</u>
Small Bus Pull	2	2	2	4	4	6	
B-Line Bus Pull	31	38	39	40	41	38	
Big Bus Unit	476,700	491,001	505,731	520,903	536,530	552,626	Grants with 80/20 split
Big Bus Number	--	5	10	12	14	2	
Small Bus Unit	192,740	198,522	204,478	210,612	216,931	223,438	Grants with 80/20 split
Small Bus Number	23	10	8	9	3	1	
Revenue Fleet	4,433,020	4,440,227	6,693,133	8,146,345	8,162,212	1,328,690	Grants with 80/20 split
Bus Stop Capital	3,747,881	250,000	258,750	267,806	437,179	452,481	Grants with 80/20 split
Equipment and Other	2,632,241	469,023	695,188	841,415	859,939	178,117	Grants with 80/20 split
Stations	827,784	--	--	--	--	700,000	Grants with 80/20 split
Other Major Capital: Staple Street Center	8,358,716	18,193,296	--	--	--	3,100,000	Bonds & Cash Reserves
CNG Big Bus Pct.	14%	14%	20%	32%	47%	62%	
CNG Small Bus Pct.	10%	54%	73%	83%	98%	100%	

Customer Service Center & Other Future Facilities. A major project for the Authority is the planned move of the existing customer service functions from leased space near 6 Points Station to the Customer Service Center adjacent at Staples Street Station. The most obvious advantage of this move is to locate customer service to the most utilized station of the Issuer. Additionally, some administrative functions that logically should be in proximity to passengers (such as B-Line eligibility, planning, and marketing) will be located at the new facility. Finally, the Issuer is working to include other services that many passengers find important, such as county veterans and social services in the Customer Service Center. The Long Range Plan also recommends several additional transfer stations and/or park and ride lots to be constructed.

Bus Stops. The Issuer serves over 1,400 bus stops throughout its service area, and much of the travel time of passengers are spent waiting here for buses. During the development of the Long Range Plan, numerous stakeholders expressed their desire to see the Issuer do a better job providing amenities to customers waiting for services at bus stops. Not only do coverings protect passengers from inclement weather and rain, but also the intense sun this region experiences during summer months. The Long Range Plan established as a goal the sheltering 95% of passengers at fixed stops, dramatically increasing the number of passengers who have cover at their stop.

The Issuer's Budget Process

State law requires that the Board of the Authority adopt an annual operating budget before the start of each new Fiscal Year. The Authority's Fiscal Year begins January 1, resulting in the subsequent year's operating budget being approved typically by early December. The Authority's budget process involves the Board, the Authority's senior staff, and the public, with the Board establishing the goals for the Authority that are consistent with the Long Range Plan and that drive the short-term and strategic planning process and the five-year financial plan. The Authority's operations division is responsible for developing the detailed service plan. With these goals and estimated service levels in place, the proposed operating budget is then drafted by staff and submitted to the Board for review. A 14-day public review and comment period that includes a public hearing is held in conjunction with the Board's review process.

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THE ISSUER'S SALES TAX

THE ISSUER'S SALES TAX REVENUES ARE NOT PLEDGED TO THE PAYMENT OF THE BONDS, BUT ARE AVAILABLE (AND ARE IN FACT USED) BY THE AUTHORITY TO FIRST PAY MAINTENANCE AND OPERATING EXPENSES OF THE TRANSIT AUTHORITY SYSTEM (PAYMENT OF WHICH EXPENSES ARE ALSO A FIRST LIEN ON GROSS OPERATING REVENUES OF THE TRANSIT AUTHORITY SYSTEM). THE INFORMATION CONTAINED IN THIS SECTION IS PROVIDED FOR INFORMATIONAL PURPOSES ONLY AND NOT AS A DESCRIPTION OF SECURITY FOR THE BONDS.

Source and Authorization

The Issuer's Sales Tax is a ½ of 1% limited sales and use tax imposed on all taxable transactions within the Issuer as approved at the Election. The State Comptroller of Public Accounts (the "Comptroller") began collecting the Issuer's Sales Tax on transactions within the Issuer on January 1, 1986. The Issuer's Sales Tax is authorized to be levied and collected against the receipts from the sale at retail of taxable items within the Issuer. The Issuer's Sales Tax also is an excise tax on the use, storage or other consumption of taxable tangible personal property purchased, leased or rented from a retailer within the Issuer. The imposition, computation, administration, governance, abolition and use of the Issuer's Sales Tax is governed by the Texas Limited Sales, Excise, and Use Tax Act and by the Municipal Sales and Use Tax Act, and reference is made thereto for a more complete description of the Issuer's Sales Tax. The imposition, computation, administration, governance, abolition and use of the Issuer's Sales Tax is governed by Chapter 151, Texas Tax Code, as amended (the "Texas Limited Sales, Excise, and Use Tax Act").

In general, as applied to the Issuer's Sales Tax, a taxable item includes any tangible personal property and certain taxable services. "Taxable services" include certain amusement services, cable television services, motor vehicle parking and storage services, the repair, maintenance and restoration of most tangible personal property, certain telecommunication services, credit reporting services, debt collection services, insurance services, information services, real property services, data processing services, real property repair and remodeling and security services. Certain items are exempted by State law from sales and use taxes, including items purchased for resale, food products (except food products which are sold for immediate consumption, e.g. by restaurants, lunch counters, etc.), health care supplies (including medicines, corrective lens and various therapeutic appliances and devices, agricultural items (if the item is to be used exclusively on a farm or ranch or in the production of agricultural products), gas and electricity purchased for residential use (unless a transit authority has taken steps to repeal the exemption), certain telecommunication services, newspapers and magazines. In addition, items which are taxed under other State laws are generally exempted from sales taxes. These items include certain natural resources, cement, motor vehicles and insurance premiums. Alcohol and tobacco products are taxed under both State alcohol and tobacco taxes as well as through the sales taxes. In addition, purchases made by various exempt organizations are not subject to the sales and use taxes. These items include certain natural resources, cement, motor vehicles and insurance premiums. Such organizations include the federal and state governments, political subdivisions, Indian tribes, religious institutions and certain charitable organizations and non-profit corporations. Also, State law provides an exemption from sales taxes on items purchased under a contract in effect when the legislation authorizing such tax (or the increase in the rate thereof) is enacted, up to a maximum of three years.

In general, a sale of a taxable item is deemed to occur within the municipality, county or special district in which the sale is consummated. The tax levied on the use, storage or consumption of tangible personal property is considered to be consummated at the location where the item is first stored, used or consumed. Thus, the use is considered to be consummated in a municipality, and the tax is levied there if the item is shipped from outside the state to a point within the municipality.

The Comptroller administers and enforces all sales tax laws and collects all sales and use taxes levied by the State, and levying counties, municipalities and other special districts having sales tax powers. Certain limited items are taxed for the benefit of the State under non-sales tax statutes, such as certain natural resources and other items described above, and are not subject to the sales tax base available to municipalities and counties, including the tax base against which the Issuer's Sales Tax is levied. Municipalities may by local option determine to tax certain telecommunication services on the same basis as the State taxes such services (some aspects of telecommunication services, such as interstate telephone calls and broadcasts regulated by the FCC are not subject to either State or local taxation).

In recent years, several changes in the State sales tax laws have contributed to the growth of local sales tax revenues. These changes have added additional goods and services to the list of taxable items. Other items have been subjected to sales tax on an interim basis or have been taxed pursuant to legislation which includes planned phase-outs of the tax.

With certain exceptions, sales and use taxes in the State are collected at the point of sale and are remitted to the Comptroller by the "taxpayer," who is, generally speaking, the business that collects the tax resulting from a taxable transaction. Taxpayers owing \$500 or more sales and use tax dollars in a calendar month submit their tax collections to the Comptroller on a monthly basis, and taxpayers owing less than \$500 sales and use tax dollars in a calendar month or \$1,500 in a calendar quarter submit their tax collections quarterly. Taxpayers are required to report and remit to the Comptroller by the 20th day of the month following the end of the reporting period. The reporting period of yearly filers ends each December 31st; for quarterly filers, the reporting period ends at the end of each calendar quarter; and monthly filers report and remit by the 20th of each month for the previous month. The Comptroller is required by law to distribute funds to the receiving political subdivisions

periodically and as promptly as feasible but not less frequently than twice during each fiscal year of the State. Historically, and at the present time, the Comptroller distributes the funds monthly. In 1989, the Comptroller initiated a direct deposit program using electronic funds transfers to expedite the distribution of monthly allocation checks. If a political subdivision desires to participate in the electronic funds transfers, it may make application to the Comptroller. The Issuer does participate in this program. Otherwise, the Comptroller mails the monthly allocation check, which is typically received by the middle of the month following the month in which the taxpayer reports and remits payment on the tax.

The Comptroller is responsible for enforcing the collection of sales and use taxes in the State. Under State law, the Comptroller utilizes sales tax permits, sales tax bonds and audits to encourage timely payment of sales and use taxes. Each entity selling, renting, leasing or otherwise providing taxable goods or services is required to have a sales tax permit. Permits are required for each individual location of a taxpayer and are valid for only one year, requiring an annual renewal. As a general rule, every person who applies for a sales tax permit for the first time, or who becomes delinquent in paying the sales or use tax, is required to post a bond in an amount sufficient to protect against the failure to pay taxes. The Comptroller's audit procedures include auditing the largest 2% of the sales and use tax payers (who report about 65% of all sales and use tax in the State annually), every three or four years. Other taxpayers are selected at random or upon some other basis for audits. The Comptroller also engages in taxpayer education programs and mails a report to each taxpayer before the last day of the month, quarter or year that it covers.

Once a taxpayer becomes delinquent in the payment of a sales or use tax, the Comptroller may collect the delinquent tax by using one or more of the following methods: (1) collection by an automated collection center or local field office, (ii) estimating the taxpayer's liability based on the highest amount due in the previous 12 months and billing them for it, (iii) filing liens and requiring a new or increased payment bond, (iv) utilizing forced collection procedures such as seizing assets of the taxpayer (e.g., a checking account) or freezing assets of the taxpayer that are in the custody of third parties, (v) removing a taxpayer's sales and use tax permit, and (vi) certifying the account to the Attorney General's Office to file suit for collection. A municipality may not sue for delinquent taxes unless it joins the Attorney General as a plaintiff or unless it first receives the permission of the Attorney General and the Comptroller.

The Comptroller retains 2% of the tax receipts for collection of the tax; additionally, under State law, a taxpayer may deduct and withhold ½% of the amount of taxes due on a timely return as reimbursement for the cost of collecting the sales and use taxes. In addition, a taxpayer who prepays its tax liability on the basis of a reasonable estimate of the tax liability for a month or quarter in which a prepayment is made, may deduct and withhold 1¼% of the amount of the prepayment in addition to the ½% allowed for the cost of collecting the sales and use tax.

INVESTMENT CONSIDERATIONS

The Issuer's Sales Tax

THE PURCHASE OF THE BONDS IS SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE BONDS IS ENCOURAGED TO READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY, INCLUDING ALL APPENDICES HERETO. PARTICULAR ATTENTION SHOULD BE GIVEN TO THE FACTORS DESCRIBED BELOW, WHICH, AMONG OTHERS, COULD AFFECT THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE BONDS AND WHICH COULD ALSO AFFECT THE MARKET PRICE OF THE BONDS TO AN EXTENT THAT CANNOT BE DETERMINED.

Forward-Looking Statements

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

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

The primary source of payment for Maintenance and Operating Expenses of the Issuer is the receipt of the Issuer's Sales Tax. To the extent that the Issuer's Sales Tax is not sufficient to pay Maintenance and Operating Expenses, the Issuer has obligated itself (as required by State law) to utilize Gross Operating Revenues to pay Maintenance and Operating Expenses prior to paying debt service on the Bonds.

The generation of revenues from the Issuer's Sales Tax is closely related to the amount of economic activity in the Issuer. Sales and use tax receipts, unlike other taxes levied by public entities, immediately reflect changes in the economic conditions of a municipality and the economy.

Historically, the Comptroller has remitted sales and use tax allocation checks to municipalities on a monthly basis, but State law currently requires that such allocation be made at least twice annually and such procedures could change in the future. Additionally, the tax base of taxable items and services subject to State and local sales and use taxes are subject to legislative action, and have been changed in recent years by the Texas Legislature. (See "THE ISSUER'S SALES TAX.") Texas law provides that the Issuer's Sales Tax cannot be levied against any taxable item or service unless such item or service is also subject to the State sales and use tax.

In recent years the Texas Legislature has enacted laws permitting the State, together with its political subdivisions, to levy sales and use taxes of up to 8.25%. The current total sales and use tax rate within the Issuer's boundaries is 8.25% (including State and other municipal sales taxes as well as the Issuer's Sales Tax) which is among the highest sales tax rates in the nation (although the State has no personal or corporate income tax). The rate of the sales and use taxes authorized in the State could be further increased by the Legislature and the Issuer has no way of predicting any such increase or the effect that it would have on the Issuer's Sales Tax. State leaders have appointed committees to study methods of achieving greater tax equity within the State's tax system. Any changes which may be enacted by the State Legislature could affect the tax base against which the Issuer's Sales Tax is levied; and the Issuer, except in certain limited instances described below, has no control over the components of the tax base. The Issuer currently does not have statutory authority to increase or decrease the rate of the Issuer's Sales Tax.

Tax receipts received by the Issuer are expected to be subject to seasonal variations and to variations caused by the State laws and administrative practices governing the remittance of sales and use tax receipts which authorize different taxpayers to remit the tax receipts at different times throughout the year.

The Issuer's Sales Tax is collected by the Comptroller and remitted to the Issuer. Generally, sales and use taxes in the State are collected at the point of a taxable transaction and remitted by the taxpayer to the Comptroller. The Comptroller has the primary responsibility for enforcing sales and use tax laws and collecting delinquent taxes. (See "THE ISSUER'S SALES TAX.") The collection efforts of the Comptroller are subject to applicable federal bankruptcy code provisions with respect to the protection of debtors.

Changes in the tax base against which a sales and use tax is assessed, as well as changes in the rate of such taxes, make projections of future tax revenue collections very difficult. No independent projections have been made with respect to the revenues available to pay maintenance and operating expenses of the Issuer.

Historical information regarding the State's sales tax base, gross sales within the Issuer and sales within the Issuer which are subject to the State sales and use tax is included herein in Appendix B, and while the Issuer has no reason to expect that receipts of the Issuer's Sales Tax will ever be insufficient to pay maintenance and operating expenses of the Issuer, it makes no representation that, over the term of the Bonds, sales and services within the Issuer will provide sufficient Issuer's Sales Tax receipts to pay the maintenance and operating expenses of the Issuer.

Funding of Capital Improvement Program and Operations

The Issuer's funding of its capital improvement plan is subject to available funding sources and access to the financial markets. The amount of debt service the Issuer pays on its debt obligations will directly affect the amount of revenues available to the Issuer to support its operations, maintenance and capital reinvestment needs. The Issuer does not intend to issue any debt which could be expected to adversely affect the sufficiency of revenues to pay costs of operation and maintenance of the Issuer's transportation services. Consequently, the Issuer intends to adjust its capital plans as necessary to finance the plans consistent with available resources and operating needs.

Risks Associated with Federal Funding

The receipt of capital and operating grants from the FTA is not assured and is subject to approval by the FTA, Secretary of Transportation, and Office of Management and Budget as well as appropriation by the U.S. Congress, to the allocation and delivery procedures of the U.S. Department of Transportation ("USDOT") and the FTA, and to compliance by the Issuer with conditions to the grants. There can be no assurance that federal funding for future projects will be committed or funded in the amounts requested or at all. On August 2, 2011, Congress approved and the President signed into law the Budget Control Act of 2011 (the "BCA") and the results have been implemented in the form of automatic spending cuts commonly known as "Sequestration", which became effective on March 1, 2013 and will continue until a new budget is approved by the United States Government. If federal funding for transit programs is reduced, whether as a result of the BCA or for other reasons, the Issuer's receipt of FTA grant funding for projects could be delayed, not approved or cancelled. To the extent the receipt of grants is delayed, not approved, cancelled or otherwise not forthcoming, the Issuer may be prevented from completing work on such projects.

Limited Availability to Increase or Maintain Revenue

The Issuer has imposed the maximum sales tax authorized by law, and the Issuer has no authority to impose property taxes in proportion to value or to impose other taxes without an election. Unless additional taxes are authorized at an election, the Issuer's sales and use tax revenue will be limited by changes in the value of taxable transactions within its boundaries, which is beyond its control. Variations in the amount of receipts can be affected adversely by a number of variables, including possible (1) changes in State law and administrative practices governing the remittance and allocation of sales and use tax receipts, (2) changes in the transactions against which the sales and use tax may be imposed, (3) further migration of commerce to Internet sales that are not taxed or taxes from which cannot be effectively collected, and (4) changes in economic activity within the Issuer's taxing jurisdictions.

The increasing use of the Internet to conduct electronic commerce may affect the collection of the sales and use tax. To the extent that transactions subject to the sales and use tax imposed by the Issuer avoid normal collection and remittance procedures because they occur over the Internet, the Issuer's receipt of sales and use tax may be adversely affected. At this time, the Issuer is not able to predict how Internet sales may affect the amount of sales and use tax collected in the future. If, due to increases in Internet or other tax-exempt sales, the Issuer's sales and use tax revenue decreases or increases more slowly than operating expenses and debt service requirements, the Issuer's ability to pay the Bonds and maintain operations could be adversely affected to an extent that cannot be predicted.

The federal Internet Tax Freedom Act, as amended, imposes a moratorium on taxes on online commerce. The Act was first approved in 1998 and has been extended twice, most recently in 2007. The amendments to this act extend the moratorium until November 2014. There can be no assurance that the Act will not be extended past that time.

Operating and Maintenance Costs; Operating Revenues

Successful operation of the Transit Authority System will require timely and adequate maintenance and replacement of components. No assurance can be given that sufficient funds will be available to operate and maintain the Transit Authority System adequately over the long term. Any significant deterioration in the Transit Authority System may result in increased operating costs, reduced usage, and accordingly, reduced Pledged Revenues. Increased Maintenance and Operating Expenses may adversely affect the Issuer's financial condition.

The Issuer derives operating revenue from transportation fares, which include bus, rail and other operational receipts. Under Chapter 451, the expenses of operating and maintaining the Transit Authority System are a first lien on and charge against any revenue from operation or ownership of the Transit Authority System. The Issuer's ability to raise rates sufficient to meet all obligations required to be paid from operational revenues may be limited.

Adverse Legislation Could be Enacted

The Texas Legislature and the U.S. Congress may enact legislation that could materially affect the operations, financial condition and financial prospects of the Issuer. In odd-numbered years, the Texas Legislature meets in a regular session lasting 140 days. The most recent regular session of the Texas Legislature ended on May 27, 2013. When the Texas Legislature is not in regular session, the Governor of Texas may call one or more special sessions, at his discretion, each lasting no longer than 30 days. There can be no assurance that the Texas Legislature or the U.S. Congress will not enact tax moratoriums or exemptions or other legislation that may adversely affect the operations of the Issuer or its ability to pay the Bonds.

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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 DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Issuer, the Financial Advisor, and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

The Depository Trust Company (“DTC”), New York, New York, 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 Bond will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one Bond will be issued with respect to each \$500 million of principal amount, and an additional Bond will be issued with respect to any remaining principal amount of such issue.

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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+”. The DTC Rules applicable to its participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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 the 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 interest 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 the 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 Obligation 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 notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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 Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Paying Agent/Registrar or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent/Registrar, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent/Registrar. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Bonds, the Issuer will have no obligation or responsibility to the DTC Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Resolution will be given only to DTC.

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BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA-" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On June 12, 2013, S&P published a report in which it affirmed AGM's "AA-" (stable outlook) financial strength rating. AGM can give no assurance as to any further ratings action that S&P may take.

On January 17, 2013, Moody's issued a press release stating that it had downgraded AGM's insurance financial strength rating to "A2" (stable outlook) from "Aa3". AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

Capitalization of AGM

At September 30, 2013, AGM's consolidated policyholders' surplus and contingency reserves were \$3,458,464,281 and its total net unearned premium reserve was \$1,902,038,053, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2012 (filed by AGL with the SEC on March 1, 2013);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013 (filed by AGL with the SEC on May 10, 2013);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2013 (filed by AGL with the SEC on August 9, 2013); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2013 (filed by AGL with the SEC on November 12, 2013).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Bonds or any uninsured bonds offered under this Official Statement and such purchases may constitute a significant proportion of the bonds offered. AGM or such affiliate may hold such Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

BOND INSURANCE GENERAL RISKS

The following are risk factors relating to bond insurance. In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy (the "Policy") issued by the bond insurance company (the "Bond Insurer") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy will not insure against redemption premium, if any. The payment of principal and interest in connection with any mandatory or optional prepayment of the Bonds by the Issuer which is recovered by the Issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absence such prepayment by the Issuer unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable Bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds will be payable solely from the moneys received pursuant to the applicable Bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claims paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. (See "OTHER PERTINENT INFORMATION - Rating" herein.)

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency. Neither the Issuer nor the Underwriters have made an independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Issuer to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment.

INVESTMENT POLICIES

The Issuer invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the Board. Both State law and the Issuer's investment policies are subject to change.

Legal Investments

Under Texas law, the Issuer is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (i) that are issued by or through an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or as secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for Issuer deposits or (ii) where (a) the funds are invested by the Issuer through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the Issuer as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the Issuer, (b) the broker or the depository institution selected by the Issuer arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Issuer, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the Issuer appoints the depository institution selected under (a) above, a custodian as described by Section 2257.41(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3), (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the Issuer, held in the Issuer's name, and deposited at the time the investment is made with the Issuer or with a third party selected and approved by the Issuer and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas, (9) bankers' acceptances with the remaining term of 270 days or less, which will be liquidated in full at maturity, is eligible for collateral for borrowing from a federal Reserve Bank, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1", or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper with a stated maturity of 270 days or less and is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, and provide the Issuer with a prospectus and other information required by the Securities and Exchange Act of 1934 or the Investment Act of 1940, (12) no load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years; invests exclusively in obligations described in the preceding clauses; are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent; and conforms to the requirements for eligible investment pools, (13) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or "AAA-m" or its equivalent or no lower than investment grade with a weighted average maturity no greater than 90 days, and (14) guaranteed investment contracts secured by obligations of the United States of America or its agencies and instrumentalities, other than prohibited obligations described in the next succeeding paragraph, with a defined termination date, and pledged to the Issuer and deposited with the Issuer or a third party selected and approved by the Issuer.

The Issuer may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are continuously rated no lower than "AAA" or "AAA-m" or its equivalent by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized rating service with a weighted average maturity no greater than ninety (90) days. The Issuer may also contract with an investment management firm registered under the Investment Advisors Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the Issuer retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the Issuer must do so by order, ordinance, or resolution. The Issuer is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

Under Texas law, the Issuer is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for Issuer funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All Issuer funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, Issuer investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the Issuer shall submit an investment report detailing: (1) the investment position of the Issuer, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest Issuer funds without express written authority from the Board.

Additional Provisions

Under Texas law, the Issuer is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt an order or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the said order or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Board; (4) require the qualified representative of firms offering to engage in an investment transaction with the Issuer to: (a) receive and review the Issuer's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the Issuer and the business organization that are not authorized by the Issuer's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the Issuer's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the Issuer and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the Issuer's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer, or other investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in mutual funds in the aggregate to no more than 80% of the Issuer's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the Issuer's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to confirm to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Issuer.

Current Investments*

TABLE 1

As of August 31, 2013 the Issuer's total current investments pertaining to Operating Fund were invested in the following category:

<u>Type of Investment</u>	<u>Amount</u>
Municipal Bonds	\$11,361,742.60
Agency Securities	10,759,025.50
Bank Accounts	3,156,117.27
Money Market Funds	2,298,671.07
Certificates of Deposit	<u>1,492,783.20</u>
Total	\$29,068,339.64

*Unaudited

As of such date, the market value of such investments (as determined by the Issuer by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the Issuer are invested in derivative securities, *i.e.*, securities whose rate of return is determined by reference to some other instrument, index, or commodity.

Authority's Employee Retirement Plans and Other Post-Employment Benefits of the Authority

Defined Benefit Plan

Plan Description: The *RTA Employees Defined Benefit Plan and Trust* (DB Plan) is a single-employer defined benefit pension plan administered by the Authority and established upon the applicable sections of the Internal Revenue Code. The Authority Board may periodically amend the DB Plan document. The current plan provisions were established by a plan and trust agreement adopted by the Board of Directors in July 1986, and amended in July 1994, February 2002, November 2010 and December 2011.

Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The DB Plan assets are maintained under a trust agreement with Wells Fargo Bank (Trustee). The trustee carries out an investment policy established by the Authority Board consistent with purposes of the plan and all applicable laws. Administration costs are paid by the plan.

All full time employees are included in the plan. Vesting begins at three years of service with full vesting at seven years. Employees who retire on or after age 62 are entitled to an annual retirement benefit equal to 2% of average compensation for the final three consecutive years of employment times their number of years of service for the Authority. Reduced retirement benefits are available at age 55 with ten years of service. In December 2012, the plan was amended to allow those eligible for early retirement during a specified window without incurring the normal reduction in benefits. The plan is not indexed for inflation. As of January 1, 2012 there were 426 participants in this plan as follows:

Retirees and beneficiaries currently receiving benefits	80
Terminated and entitled to, but not yet receiving benefits	151
Active employees	195

Funding Policy: The Authority is the only source of contributions which are determined annually based on actuarial studies as of the valuation date. The contributions consist of a normal annual pension cost and amortization of any unfunded actuarial accrued liability (UAAL). Significant actuarial assumptions used in the valuations are as follows:

Valuation Date	01/01/12	01/01/11
Cost Method	Entry Age Normal Cost	Entry Age Normal Cost
Inflation Rate	0.0%	0.0%
Investment Rate of Return – Pre Retire	7.50%	7.50%
Investment Rate of Return – Post Retire	7.50%	7.50%
Projected Salary Increases	3.50%	3.50%
Amortization Method	Level dollar amount over 15 years From 01/01/09	Level dollar amount over 15 years From 01/01/09
Remaining Amortization Period	12 years	13 years
Asset Valuation Method	Market Value	Market Value
Normal Cost as a percent of covered payroll	9.2%	9.1%
Annual Required Contribution	\$1,125,651	\$886,742
Contribution Made	\$1,125,651	\$1,064,288

Annual Pension Cost and Net Pension Obligation: The following represents the components of the Annual Pension Cost (APC), contributions, interest and changes in the Net Pension Obligation (NPO) for the years ended December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Annual Required Contribution (ARC)	\$1,125,651	\$886,742
Adjustment to ARC	21,351	0
Interest on Net Pension Asset	<u>(13,316)</u>	<u>0</u>
APC	1,133,686	886,742
Contribution Paid	<u>(1,125,651)</u>	<u>(1,064,288)</u>
Change in Net Pension Asset	(8,035)	177,546
Net Pension Asset – Beginning of Year	<u>177,546</u>	<u>0</u>
Net Pension Asset – End of Year	\$169,511	\$177,546

Trend Information: Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Such trend information as of January 1 for the end of the preceding fiscal years (actuarial valuation date) is as follows:

<u>Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Employer Contribution</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Asset</u>
2012	\$1,133,686	\$1,125,651	99%	\$169,511
2011	886,742	1,064,288	120%	\$177,546
2010	1,168,423	1,168,423	100%	\$0

Funded Status and Funding Progress: The funded status of the plan as of the most recent valuation date is as follows:

<u>January 1</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
2012	\$21,791,159	\$25,576,425	\$3,785,266	85.2%	\$7,221,526	52.42%
2011	\$21,547,899	\$23,682,639	\$2,134,740	91.0%	\$7,073,120	30.18%

A schedule of funding progress, presented as required supplementary information immediately following the notes to the financial statements, is intended to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities.

The Plan's assets are exposed to various risks such as interest rate, market, and credit risks. To meet the primary investment goal of a rate of return that will match or exceed the growth of the plans liabilities, while limiting risk, the plan assets are in high quality investments such as debt and equity mutual funds. The targeted mix to meet these objectives is 40% fixed income (debt) funds and 60% equity funds. At December 31, 2012, the Plan's net position was \$25,566,845, an increase of 17.3% since December 31, 2011. As a result, the annual required contribution for 2013 is estimated to be \$990,565 in comparison to the \$1,125,651 required contribution for 2012.

Financial Statements: The DB Plan does not issue a separate stand-alone financial report. Financial statements for the years ended 2012 and 2011 are as follows:

<u>Statement of Fiduciary Net Position</u>		
<u>December 31, 2012 and 2011</u>		
	<u>2012</u>	<u>2011</u>
ASSETS		
Money Market Funds	\$516,351	\$632,414
Mutual Funds – Debt	9,668,138	5,830,618
Mutual Funds – Equity	<u>15,382,356</u>	<u>15,328,127</u>
Total Assets	\$25,566,845	\$21,791,159
LIABILITIES		
	\$0	\$0
NET POSITION		
Assets Held in Trust for Pension Benefits	\$25,566,845	\$21,791,159

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Statement of Fiduciary Net Position
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Additions:		
Investment Income/(Loss)	\$3,399,160	(\$165,982)
Employer Contributions	<u>1,125,651</u>	<u>1,064,288</u>
Total Additions	\$4,524,811	\$898,306
Deductions:		
Benefits Paid	682,463	591,273
Administrative Expenses	<u>66,662</u>	<u>63,773</u>
Total Deductions	<u>749,125</u>	<u>655,046</u>
Increase in Net Position	3,775,686	243,260
Net Position, January 1	<u>21,791,156</u>	<u>21,547,899</u>
Net Position, December 31	\$25,566,845	\$21,791,159

Source: Issuer's Comprehensive Annual Financial Report for FYE December 31, 2012.

Defined Contribution Plan

Plan Description: The RTA Employees' Defined Contribution Plan (DC Plan) covers all employees. This defined contribution plan has a plan document in compliance with the Internal Revenue Code and adopted by the Board, who may amend it.

Benefits depend on amounts contributed to the plan plus investment earnings. Employees are fully vested in their contributions. Employees direct their investments.

Funding Policy: Employees are required to contribute 7.51% of gross remuneration and may make additional contributions of up to 10%. The Authority may make contributions, but has made none to date. Total covered payrolls were \$8,379,258 in 2012 and \$7,990,096 in 2011. Employee contributions were \$673,604 in 2012 and \$681,496 in 2011. Employees may make selections from money market, debt and equity mutual funds approved by the investment committee.

Financial Statements: The DC Plan does not issue a separate stand-alone financial report. Financial statements for the years ended 2012 and 2011 are as follows:

Statement of Fiduciary Net Position
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS:		
Money Market Funds	\$1,486,237	\$1,233,253
Mutual Funds – Debt	1,099,697	745,788
Mutual Funds – Equity	<u>5,899,703</u>	<u>5,626,606</u>
Total Assets	8,485,367	7,605,647
LIABILITIES	<u>0</u>	<u>0</u>
NET POSITION:		
Assets Held in Trust for Pension Benefits	<u>\$8,485,367</u>	<u>\$7,605,647</u>

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Statement of Changes in Fiduciary Net Position
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Additions:		
Investment Income/(Loss)	\$891,030	\$(588,896)
Employee Contributions	<u>673,604</u>	<u>681,496</u>
Total Additions	1,564,634	92,600
Deductions:		
Benefits Paid	664,340	984,204
Administrative Expenses	<u>20,304</u>	<u>22,699</u>
Total Deductions	<u>684,644</u>	<u>1,006,873</u>
Increase/(Decrease) in Net Position	879,990	(914,273)
Net Position, January 1	<u>7,605,647</u>	<u>8,519,920</u>
Net Position, December 31	\$8,485,637	\$7,605,647

Other Post Employment Benefits (OPEB) Plan

GASB Statement No. 45 established new accounting standards for postretirement benefits other than pensions. This standard does not require funding of OPEB, but does require that any difference between the annual required contribution (ARC) and the amount funded during the year be recorded in the employer's financial statements as an increase (or decrease) to the OPEB. The most recent actuarial valuation performed in accordance with the standard was dated January 1, 2012.

The 2012 valuation included changes in actuarial assumptions that reduced the annual required contribution. The changes resulting in a decrease to the annual required contribution:

- Only employees actually participating in the plan were included in the valuation; the previous valuation included all employees eligible to participate
- The estimate of the employees who would elect continued coverage upon retirement was reduced from 50% to 33% based on historical experience

An updated actuarial table was used to predict retirement and turnover rates. Other changes resulted in increases to the annual required contribution partially offsetting the overall decrease.

- The discount rate was lowered from 4.5% to 4%
- The medical cost trend rate remains at 9% decreasing to 5% over time, but at a rate of .25% per year rather than .5% per year
- The mortality tables were updated

Plan Description: The Authority administers a single-employer defined benefit healthcare plan that allows access to medical benefits by eligible retirees and their families until the retiree reaches age 65. The Authority Board establishes benefit provisions. The plan is not accounted for as a fiduciary fund as an irrevocable trust has not been established to fund the plan. The plan does not issue a financial report.

Funding Policy: The Authority requires retirees to pay a portion of the monthly "blended" rates that apply to the group as a whole. Since retiree health care costs are generally higher than active employee healthcare costs, there is an implicit subsidy higher than the stated subsidy of the Authority. For 2012, \$627.99 was the required monthly contribution for retiree family coverage and \$246.44 for retiree single coverage. The Authority's contributions are on a pay-as-you-go basis. As of the most recent valuation membership is as follows:

Retirees	3
Active	<u>176</u>
Total	179

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Annual OPEB Cost and Net OPEB Obligation: The Authority's annual other post employment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Authority's annual OPEB cost, the amounts actually contributed toward the plan and changes in the net OPEB obligation are as follows:

	<u>2012</u>	<u>2011</u>
Annual Required Contribution	\$45,097	\$172,772
Interest on OPEB Liability	19,636	17,269
Adjustment to the ARC	<u>(27,297)</u>	<u>(23,559)</u>
Annual OPEB Cost	37,436	166,482
Employer Contributions	<u>2,713</u>	<u>(59,340)</u>
Net Change in OPEB Liability	40,149	107,142
OPEB Liability at January 1	<u>490,898</u>	<u>383,756</u>
OPEB Liability at December 31	\$531,047	\$490,898

Trend Information: The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation At Year-End</u>
2012	\$37,436	(7.2)%	\$531,047
2011	166,482	35.6%	\$490,898
2010	169,206	1.7%	\$383,756

Funded Status and Funding Progress: The funded status of the plan as of the most recent valuation dates is as follows:

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued (AAL) - Unit Cost</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Payroll</u>
2012	\$0	\$377,934	\$377,934	\$6,436,310	6%
2011	\$0	\$1,016,925	\$1,016,925	\$7,246,956	14%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost inflation. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A schedule of funding progress, presented as required supplementary information immediately following the notes to the financial statements, is intended to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time in relation to the actuarial accrued liability.

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Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of cost-sharing between the Authority and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant assumptions used include the following:

Valuation Date	01/01/12	01/01/10
Cost Method	Projected Unit Credit	Projected Unit Credit
Asset Valuation Method	Unfunded, Pay-as-you-go basis	Unfunded, Pay-as-you-go basis
Investment Rate of Return**	4.00%	4.50%
Annual Healthcare Cost Trend	9% initially, graded down to 5% in year 17	9% initially, graded down to 5% in year 9
Inflation Rate	2.50%	2.50%
Utilization	33% of eligible activities	50% of eligible activities
Amortization Period	30 years	30 years
Amortization Method	Level Dollar, Open	Level Dollar, Open

Source: Issuer's Comprehensive Annual Financial Report for FYE December 31, 2012.

**Expected long term returns on Authority investments that will fund the benefits.

TAX MATTERS RELATING TO THE TAX-EXEMPT BONDS

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE TAX-EXEMPT BONDS UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE.

General. The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Tax-Exempt Bonds and is based on the Internal Revenue Code of 1986, as amended (the "Code"), the regulations promulgated thereunder, published rulings and pronouncements of the Internal Revenue Service ("IRS") and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Tax-Exempt Bonds and does not address U.S. federal gift or estate tax or (as otherwise stated herein) the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as a partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be subject to or personal holding company provisions of the Code or taxpayers qualifying for the health insurance premium assistance credit) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Tax-Exempt Bonds as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the "U.S. dollar". This summary is further limited to investors who will hold the Tax-Exempt Bonds as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

As used herein, the term "U.S. Holder" means a beneficial owner of a Tax-Exempt Bond who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term "Non-U.S. Holder" means a beneficial owner of a Tax-Exempt Bond that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF TAX-EXEMPT BONDS IN LIGHT OF THE HOLDER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE TAX-EXEMPT BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE TAX-EXEMPT BONDS BEFORE DETERMINING WHETHER TO PURCHASE TAX-EXEMPT BONDS.

FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Tax-Exempt Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Opinion

On the Date of Delivery of the Tax-Exempt Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the Issuer, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), for federal income tax purposes, interest on the Tax-Exempt Bonds will be excludable from the "gross income" of the holders thereof, except for any holder who is treated pursuant to section 147(a) of the Internal Revenue Code of 1986 (the "Code") as a "substantial user" of the Project or, a "related person" to such user. Except as stated above, Bond Counsel to the Issuer will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Tax-Exempt Bonds. See Appendix E -- Forms of Opinions of Bond Counsel.

In rendering its opinion, Bond Counsel to the Issuer will rely upon (a) certain information and representations of the Issuer, including information and representations contained in the Issuer's federal tax certificate related to the Tax-Exempt Bonds, (b) covenants of the Issuer contained in the Tax-Exempt Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Tax-Exempt Bonds and the property financed or refinanced therewith, and (c) will assume receipt by the Issuer of an allocation of state volume cap pursuant to the Certificate of Reservation dated October 24, 2013 provided by the Texas Bond Review Board notifying the Issuer of an allocation of state volume cap. If the representations are determined to be inaccurate, or there is a failure to comply with the covenants or receive the allocation, then the interest on the Tax-Exempt Bonds could become includable in gross income retroactively to the date of issuance of the Tax-Exempt Bonds. Failure by the Issuer to observe the aforementioned representations or covenants could cause the interest on the Tax-Exempt Bonds to become taxable retroactively to the date of issuance.

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

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

A ruling was not sought from the IRS by the Issuer with respect to the Tax-Exempt Bonds or property financed with the proceeds of the Tax-Exempt Bonds. No assurances can be given as to whether or not the IRS will commence an audit of the Tax-Exempt Bonds, or as to whether the IRS would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the IRS is likely to treat the Issuer as the taxpayer and the holders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

Under existing law, any U.S. Holder who has purchased a Tax-Exempt Bond as an Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below. In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such U.S. Holder in excess of the basis of such Original Issue Discount Bond in the hands of such U.S. Holder (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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

All U.S. Holders of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

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

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

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

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Tax-Exempt Bonds under Federal or state law and could affect the market price or marketability of the Tax-Exempt Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisors regarding the foregoing matters.

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TAX MATTERS RELATING TO THE TAXABLE BONDS

THE FOLLOWING DISCUSSION, WHICH WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE SALE OF THE TAXABLE BONDS, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE TAXABLE BONDS UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE.

General. The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Taxable Bonds and is based on the Code, the regulations promulgated thereunder, published rulings and pronouncements of the IRS and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Taxable Bonds and does not address U.S. federal gift or estate tax or (as otherwise stated herein) the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as a partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be subject to or personal holding company provisions of the Code or taxpayers qualifying for the health insurance premium assistance credit) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Taxable Bonds as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the "U.S. dollar". This summary is further limited to investors who will hold the Taxable Bonds as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

As used herein, the term "U.S. Holder" means a beneficial owner of a Taxable Bond who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term "Non-U.S. Holder" means a beneficial owner of a Taxable Bond that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF TAXABLE BONDS IN LIGHT OF THE HOLDER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE TAXABLE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE TAXABLE BONDS BEFORE DETERMINING WHETHER TO PURCHASE TAXABLE BONDS.

FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Taxable Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Certain U.S. Federal Income Tax Consequences to U.S. Holders

Periodic Interest Payments and Original Issue Discount. The Taxable Bonds are not obligations described in Section 103(a) of the Code. Accordingly, the stated interest paid on the Taxable Bonds or original issue discount, if any, accruing on the Taxable Bonds will be includable in "gross income" within the meaning of Section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

Disposition of Taxable Bonds. An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a Taxable Bond equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner's tax basis in the Taxable Bonds. Generally, a U.S. Holder's tax basis in the Taxable Bonds will be the owner's initial cost, increased by income reported by such U.S. Holder, including original issue discount and market discount income, and reduced, but not below zero, by any amortized premium. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the Taxable Bonds has been held for more than one year.

Defeasance of the Taxable Bonds. Defeasance of any Taxable Bond may result in a reissuance thereof, for U.S. federal income tax purposes, in which event a U.S. Holder will recognize taxable gain or loss as described above.

State, Local and Other Tax Consequences. Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the Taxable Bonds under applicable state or local laws, or any other tax consequence, including the application of gift and estate taxes. Effective for tax years beginning after December 31, 2012, pursuant to the Health Care and Education Reconciliation Act of 2010, which was intended to help finance the cost of healthcare reform, certain individuals, estates or trusts may be subject to a 3.8% surtax on all or a portion of the taxable interest that is paid on the Taxable Bonds. PROSPECTIVE PURCHASERS OF THE TAXABLE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FOREGOING MATTERS.

Certain U.S. Federal Income Tax Consequences to Non-U.S. Holders

A Non-U.S. Holder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the U.S. in addition to its ownership of a Taxable Bond, will not be subject to U.S. federal income or withholding tax in respect of such Taxable Bond, provided that such Non-U.S. Holder complies, to the extent necessary, with identification requirements including delivery of a signed statement under penalties of perjury, certifying that such Non-U.S. Holder is not a U.S. person and providing the name and address of such Non-U.S. Holder. Absent such exemption, payments of interest, including any amounts paid or accrued in respect of accrued original issue discount, may be subject to withholding taxes, subject to reduction under any applicable tax treaty. Non-U.S. Holders are urged to consult their own tax advisors regarding the ownership, sale or other disposition of a Taxable Bond.

The foregoing rules will not apply to exempt a U.S. shareholder of a controlled foreign corporation from taxation on the U.S. shareholder's allocable portion of the interest income received by the controlled foreign corporation.

CONTINUING DISCLOSURE OF INFORMATION

The Issuer has in the Resolution, made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the MSRB. This information will be available to the public at no charge via EMMA at www.emma.msrb.org as described below under "Availability of Information from MSRB".

Annual Reports

The Issuer will provide certain updated financial information and operating data to EMMA annually. The information to be updated includes all quantitative financial information and operating data with respect to the Issuer of the general type included in Appendix B. The Issuer will update and provide this information within six months after the end of each fiscal year ending in or after 2013. The Issuer will provide the updated information to the MSRB in an electronic format, which will be available through EMMA to the general public without charge.

The Issuer may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not provided by that time, the Issuer will provide unaudited financial statements for the applicable fiscal year to the MSRB, with the financial information and operating data and will file the annual audit report when and if the same becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer's annual financial statements or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

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

Notice of Occurrence of Certain Events, Whether or Not Material

The Issuer will notify the MSRB through EMMA (in an electronic format as prescribed by the MSRB) within ten business days following the occurrence of any of the following events with respect to the Notes, without regard to whether such event is material within the meaning of the federal securities laws: (1) principal and interest payment delinquencies; (2) unscheduled

draws on debt service reserves reflecting financial difficulties; (3) unscheduled draws on credit enhancements reflecting financial difficulties; (4) substitution of credit or liquidity providers, or their failure to perform; (5) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Tax-Exempt Bonds, or other events affecting the tax status of the Tax-Exempt Bonds; (6) tender offers; (7) defeasances; (8) rating changes; and (9) bankruptcy, insolvency, receivership or similar event of an obligated person. (Neither the Bonds nor the Resolution make any provision for credit enhancement (unless a municipal bond insurance policy is obtained or liquidity enhancement).

Notice of Occurrence of Certain Events, If Material

The Issuer also will notify the MSRB through EMMA (in an electronic format as prescribed by the MSRB) within ten business days following the occurrence of any of the following events with respect to the Notes, if such event is material within the meaning of the federal securities laws: (1) non-payment related defaults; (2) modifications to rights of holders; (3) redemption calls; (4) release, substitution, or sale of property securing repayment of the Bonds; (5) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and (6) appointment of a successor or additional trustee or the change of name of a trustee.

Notice of Failure to Timely File

The Issuer also will notify the MSRB through EMMA, in a timely manner, of, of any failure by the Issuer to provide financial information or operating data in accordance with the provisions described above.

Availability of Information from MSRB

Effective July 1, 2009 (the "EMMA Effective Date"), the SEC implemented amendments to the Rule which approved the establishment by the MSRB of EMMA, which is now the sole successor to the national municipal securities information repositories with respect to filings made in connection with undertakings made under the Rule after the EMMA Effective Date.

Commencing with the EMMA Effective Date, all information and documentation filing required to be made by the Issuer in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

Limitations and Amendments

The Issuer has agreed to update information and to provide notices of material events only as described above. The Issuer has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Issuer makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Issuer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Bonds may seek a writ of mandamus to compel the Issuer to comply with its agreement. The Issuer may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, if the agreement, as amended, would have permitted Underwriters to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The Issuer may also repeal or amend these provisions if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Issuer also may amend the applicable provisions of the Resolution in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Issuer amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Undertakings

The Issuer has not previously entered into a continuing disclosure agreement pursuant to the Rule. Such agreement as the same relates to the Bonds, is made by the Issuer in the Resolution.

LITIGATION; REGULATORY COMPLIANCE; AND FEDERAL GRANTS

Litigation

At the time of the initial delivery of the Bonds, the Issuer will provide the Underwriters with a certificate to the effect that no litigation of any nature has been filed or is pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds, or in any other manner questioning the issuance, sale, or delivery of said Bonds.

Environmental Regulations

The Issuer is subject to the environmental regulations of the State and the United States in its operation of its Transit Authority System. These regulations are subject to change and the Issuer may be required to expend substantial funds to meet the requirements of such regulatory authorities.

Federal Grant Proceeds

A significant source of Issuer funding, for both operations and capital expenses, is derived from federal grants. In Fiscal Year 2012, the Issuer received a total of \$5,241,686 and spent \$3,226,061 in federal grant funding. The following describes aspects of the federal grant process, as well as recent changes thereto that will have an impact on the Issuer.

The federal grant funds that the Issuer uses for capital projects are typically FTA Section 5307 "Formula Funds" and various competitively awarded discretionary funds. For these grants, the FTA generally pays 80% of the total project cost and the Issuer matches the grant funds by paying 20% of the total project cost from the requisite local share matching funds (the "Local Match Share"). The Local Match Share is included in the Issuer's budget, along with the federal grant funds. As soon as grants are awarded, the Local Match Share is moved into a restricted Local Match Share Reserve Account, where they remain until spent. The Issuer has been very successful at obtaining discretionary grant awards in the recent past. As described below, certain Federal transportation funding legislation signed into law in 2012 changes some of the funding structure going forward.

Moving Ahead for Progress in the 21st Century ("MAP-21") legislation was signed into law by President Obama on July 6, 2012. MAP-21 gives the FTA significant new Issuer to strengthen the safety of public transportation systems throughout the United States. The act also puts new emphasis on restoring and replacing our aging public transportation infrastructure. MAP-21 builds on and modifies previous surface transportation laws. Under MAP-21, much of the federal transit program structure remains in place, retaining formula programs and a program for new fixed guideway starts and extensions. MAP-21 streamlines the approval process for New Starts (a fixed guideway capital grants program), and requires the establishment of asset management systems and new performance measurements. Performance-based planning requirements serve to align federal funding with key goals relating to safety, infrastructure condition, congestion reduction, system reliability, freight movement and economic vitality, environmental sustainability, and reduced project delivery delays.

Urbanized area formula grants remain the largest source of federal transit funding under MAP-21. The Issuer receives funds under two of these programs: Section 5307, Urbanized Area ("Section 5307"); and Section 5340, Growing States and High-Density States ("Section 5340"). Under MAP-21, the basic structure of the urbanized area formula is maintained, with funding based on bus revenue vehicle miles, bus passenger miles, fixed guideway revenue vehicle miles, fixed guideway directional route miles, population, and population density. However, a new factor reflecting the number of low-income individuals is also included, in order to reflect the consolidation of the Job Access Reverse Commute ("JARC") program (formerly Section 5316) into the core program, with JARC activities being included in the list of eligible activities under Section 5307.

Another key change that impacts the Issuer from MAP-21 is that the formerly discretionary bus and bus facilities program, through which funds were distributed through either earmarks or competitive grants in recent years, is now a smaller formula grant program (Section 5339, Bus and Bus Facilities Formula Grants). Grants may be used to finance projects to replace, rehabilitate, and purchase buses and related equipment, and to construct bus-related facilities, in accordance with the grant requirements in Section 5307.

MAP-21 also resulted in the New Freedom program (formerly Section 5317) being consolidated into the former Elderly and Disabled program. The consolidated program, Formula Grants for the Enhanced Mobility of Senior and Individuals with Disabilities, generally continues the goals and eligible activities of the previous programs.

Under MAP-21, the FTA must develop safety performance criteria for all modes of public transportation (rail, bus, etc.). The FTA must also develop minimum safety performance standards for vehicles not regulated by other Federal agencies, as well as a public transportation safety certification training program for individuals involved in transit safety.

The new law requires all recipients of FTA funding to develop agency safety plans that include performance targets, strategies, and staff training. These measures and targets must be incorporated into metropolitan and statewide transportation plans and transportation improvement programs.

LEGAL MATTERS

The Issuer will furnish the Underwriters with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions of the Attorney General of the State of Texas to the effect that the Initial Bond are a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds, issued in compliance with the provisions of the Resolution, are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS RELATING TO THE TAX-EXEMPT BONDS", the interest on the Tax-Exempt Bonds is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Although it represents the Underwriters and the Financial Advisor from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been retained by, and only represents, the Issuer in connection with the issuance of the Bonds.

In its capacity as Bond Counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, has reviewed the information under the captions "THE BONDS" (except under the subheading "Flow of Funds Diagram" and "Payment Record" as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS RELATING TO THE TAX-EXEMPT BONDS", "TAX MATTERS RELATING TO THE TAXABLE BONDS", "OTHER PERTINENT INFORMATION - Registration And Qualification Of Bonds For Sale", "LEGAL MATTERS - Legal Investments And Eligibility To Secure Public Funds In Texas", AND "CONTINUING DISCLOSURE OF INFORMATION (except under the subheading "Compliance with Prior Undertakings" as to which no opinion is expressed) in this Official Statement and such firm is of the opinion that the information relating to the Bonds and the Resolution contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds or which would affect the provisions made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished.

The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The legal opinions of Bond Counsel will accompany the bonds deposited with DTC or will be printed on the definitive bonds in the event of the discontinuance of the Book-Entry-Only System. Certain matters will be passed on for the Underwriters by Fulbright & Jaworski of San Antonio, Texas, a member of Norton Rose Fulbright, Underwriters' counsel. The fee of Underwriters' counsel is contingent upon the sale and delivery of the Bonds.

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

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. (See "OTHER PERTINENT INFORMATION - Rating" herein.) In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The Bonds are eligible to insure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

The Issuer has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The Issuer has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

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FORWARD-LOOKING STATEMENTS

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

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

OTHER PERTINENT INFORMATION

Registration and Qualification of Bonds for Sale

The sale of the Bonds has not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act; the Bonds have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which they may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

Rating

Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business ("S&P") is expected to assign a municipal bond rating on the Bonds of "AA-" (stable outlook) based upon the municipal bond insurance policy to be issued by AGM at the time of delivery of the Bonds. The Bonds have an underlying rating of "A" by S&P. The rating reflects only the views of such organization and the Authority makes no representation as to the appropriateness of any rating. There is no assurance that the rating of the Authority will continue for any given period of time or that it will not be revised downward or withdrawn entirely if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

In connection with the early development of the transactional documents and structure for the Bonds, the Authority had discussions with another rating agency about the proposed credit structure and other terms and conditions for the Bonds for the purpose of obtaining an indicative rating. Those discussions did not include final and full information about the terms and conditions of the Bonds or the final credit structure. The Authority terminated its discussions with such rating agency and made the determination to proceed with obtaining a single underlying rating on the Bonds as reflected in the paragraph above.

Due to the ongoing uncertainty regarding the economy and debt of the United States of America, including, without limitation, the general economic conditions in the country and the implementation of the Budget Control Act of 2011 (including what is commonly referred to as "Sequestration" thereunder), and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit, and the bond ratings of the United States and its instrumentalities, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Bonds.

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources which are believed to be reliable. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

Underwriting

The Underwriters have agreed, subject to certain customary conditions, to purchase the Tax-Exempt Bonds at a price equal to the initial offering prices to the public, as shown on page 2 hereof, less an Underwriters' discount of \$101,517.32 and no accrued interest. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Tax-Exempt Bonds, if any Tax-Exempt Bonds are purchased. The Tax-Exempt Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have agreed, subject to certain customary conditions, to purchase the Taxable Bonds at a price equal to the initial offering prices to the public, as shown on page 3 hereof, less an Underwriters' discount of \$91,719.84 and no accrued interest. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Taxable Bonds, if any Taxable Bonds are purchased. The Taxable Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Financial Advisor

Southwest Securities is employed as a Financial Advisor to the Issuer in connection with the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds and has assisted in drafting this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for Financial Advisor are contingent upon the issuance, sale and delivery of the Bonds.

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

Authorization of the Official Statement

The Resolution approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto issued on behalf of the Issuer, and authorized its further use in the reoffering of the Bonds by the Underwriters.

This Official Statement has been approved by the Board of Directors of the Issuer for distribution in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12.

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

/s/ Mr. John Valls
Chairman, Board of Directors
Corpus Christi Regional Transportation Authority

ATTEST:

/s/ Ms. Angie Flores-Granado
Secretary, Board of Directors
Corpus Christi Regional Transportation Authority

APPENDIX A

Selected Provisions of the Resolution

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SELECTED PROVISIONS OF THE RESOLUTION

As used in this Resolution, the following terms and expressions shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

"Accountant" means an independent certified public accountant or accountants or a firm of an independent certified public accountants, in either case, with demonstrated expertise and competence in public accountancy.

"Additional Parity Obligations" means bonds, notes, or other Debt which the Authority reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Sections 23 and 24 of this Resolution and which obligations are equally and ratably secured solely by a first lien on and pledge of the Pledged Revenues on a parity with the Series 2013 Obligations.

"Amortization Installment" means, with respect to any Term Bonds of any series of Parity Obligations, the amount of money which is required to be deposited into a mandatory redemption account for retirement of such Term Bonds (whether at maturity or by mandatory redemption and including redemption premium, if any) provided that the total Amortization Installments for such Term Bonds shall be sufficient to provide for retirement of the aggregate principal amount of such Term Bonds.

"Annual Debt Service Requirements" means, as of the date of calculation, the principal of and interest on all Parity Obligations coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the Authority on such Debt, or be payable in respect of any required purchase of such Debt by the Authority) in such Fiscal Year, and, for such purposes, any one or more of the following rules shall apply at the election of the Authority:

(1) **Balloon Debt**. If the principal (including the accretion of interest resulting from original issue discount or compounding of interest) of any series or issue of Funded Debt due (or payable in respect of any required purchase of such Funded Debt by the Authority) in any Fiscal Year either is equal to at least 25% of the total principal (including the accretion of interest resulting from original issue discount or compounding of interest) of such Funded Debt or exceeds by more than 50% the greatest amount of principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such principal due in such Fiscal Year for such series or issue of Funded Debt being referred to herein and throughout this Resolution as "Balloon Debt"), the amount of principal of such Balloon Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the original principal amount of such Balloon Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Debt on the date of calculation;

(2) **Consent Sinking Fund**. In the case of Balloon Debt, if a Designated Financial Officer shall deliver to the Authority a certificate providing for the retirement of (and the instrument creating such Balloon Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Debt shall permit the accumulation of a sinking fund for), such Balloon Debt according to a fixed schedule stated in such certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other debt service charges on) such Balloon Debt shall be computed as if the

same were due in accordance with such schedule, provided that this clause (2) shall apply only to Balloon Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such Debt on or before the times required by such schedule; and provided further that this clause (2) shall not apply where the Authority has elected to apply the rule set forth in clause (1) above;

(3) Prepaid Debt. Principal of and interest on Parity Obligations, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations (including without limitation capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such Debt; and

(4) Variable Rate. As to any Parity Obligations that bear interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement then, at the option of the Authority, either (A) an interest rate equal to the average rate borne by such Parity Obligations (or by comparable debt in the event that such Parity Obligations has not been Outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, or (B) an interest rate equal to the 30-year Revenue Bond Index (as most recently published in The Bond Buyer), shall be presumed to apply for all future dates, unless such index is no longer published in The Bond Buyer, in which case an index of revenue bonds with maturities of at least 20 years which is published in a financial newspaper or journal with national circulation may be used for this purpose (if two Series of Parity Obligations which bear interest at variable interest rate, or one or more maturities within a Series, of equal par amounts, are issued simultaneously with inverse floating interest rates providing a composite fixed interest rate for such Parity Obligations taken as a whole, such composite fixed rate shall be used in determining the Annual Debt Service Requirement with respect to such Parity Obligations);

With respect to any calculation of historic data, only those payments actually made in the subject period shall be taken into account in making such calculation and, with respect to prospective calculations, only those payments reasonably expected to be made in the subject period shall be taken into account in making the calculation.

"**Authority**" and "**Issuer**" mean Corpus Christi Regional Transportation Authority and, where appropriate, the Board.

"**Authority's Sales Tax**" means the ½ of 1% sales and use tax approved by the voters of the Authority on August 10, 1985 pursuant to Chapter 451 to support the operation and maintenance of the Transit Authority System.

"**Authority's Sales Tax Revenues**" means all revenues received by the Authority resulting from the levy of the Authority's Sales Tax.

"**Average Annual Debt Service Requirements**" means that average amount which, at the time of computation, will be required to pay the Annual Debt Service Requirements when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Annual Debt Service Requirements by the number of Fiscal Years then remaining before Stated Maturity of such Parity Obligations. For the purposes of this definition, a fractional period of a Fiscal Year shall be treated as an

entire Fiscal Year. Capitalized interest payments provided from bond proceeds, accrued interest on any Debt, and interest earnings thereon shall be excluded in making such computation.

"Board" means the governing body of the Authority.

"Chapter 451" means Chapter 451 of the Texas Transportation Code, as amended.

"Debt" and **"Debt of the Authority payable from Pledged Revenues"** mean:

(1) all indebtedness payable from Pledged Revenues or Net Operating Revenues incurred or assumed by the Authority for borrowed money that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet; and

(2) all other indebtedness payable from Pledged Revenues or Net Operating Revenues (other than indebtedness otherwise treated as Debt hereunder) for borrowed money that is guaranteed, directly or indirectly, in any manner by the Authority, or that is in effect guaranteed, directly or indirectly, by the Authority through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise.

For the purpose of determining Debt, there shall be excluded any particular Debt if, upon or prior to the Maturity thereof, there shall have been deposited with the proper depository (a) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements of the Authority in prior Fiscal Years.

"Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date on the date the governing body of the Authority adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iv) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Parity Obligations.

"Depository" means one or more official depository banks of the Authority.

"Designated Financial Officer" means the chief financial officer of the Authority, or such other financial or accounting official of the Authority so designated by the Board.

"Fiscal Year" means the twelve-month accounting period used by the Authority in connection with the operation of the Transit Authority System, currently ending on December 31 of each year, which may be any twelve consecutive month period established by the Authority, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

"Funded Debt" means all Parity Obligations created or assumed by the Authority that mature by their terms (in the absence of the exercise of any earlier right of demand), or that are renewable at the option of the Authority to a date, more than one year after the original creation or assumption of such Debt by the Authority.

"Gross Operating Revenues" and **"Gross Operating Revenues of the Authority"** means, for any defined period, all income, receipts, revenues, and increment which may be received or derived by the Authority from its ownership and/or operation of the Transit Authority System as it is purchased, constructed or otherwise acquired from time to time, including the proceeds of State and federal grants that are not specifically dedicated in purpose, but shall not mean, and shall specifically exclude (i) all Authority's Sales Tax Revenues and (ii) the income and increment derived from a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities which under the terms of the authorizing resolution(s) or order(s) that may be pledged for the requirements of the Authority's Special Facilities Bonds issued particularly to finance facilities needed in performing any such contract or contracts.

"Interest and Sinking Fund" means the special Fund created, established and maintained by the provisions of Sections 10 and 13 of this Resolution.

"Maintenance and Operating Expenses" means the expenses necessary to provide for the administration, efficient operation and adequate maintenance of the Transit Authority System, including the payment of necessary wages, salaries, and benefits, the acquisition of property and materials necessary to maintain the Transit Authority System in good condition and to operate it efficiently, together with such other costs and expenses as may now or hereafter be defined by law as proper maintenance and operation expenses of the Transit Authority System (which costs and expenses, however, specifically exclude (i) any allowance for depreciation, property retirement, depletion, or obsolescence, (ii) other items not requiring an outlay of cash, and (iii) any interest (accrued or capitalized) on Parity Obligations now or hereafter Outstanding.

"Maturity" means, when used with respect to any Debt, the date on which the principal of such Debt or any installment thereof becomes due and payable as therein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption, or otherwise.

"Net Operating Revenues" and **"Net Operating Revenues of the Authority"** mean all Gross Operating Revenues for any period after the deduction of the Maintenance and Operating Expenses during such period which are not paid with Authority's Sales Tax Revenues.

"Outstanding" means, when used with respect to Parity Obligations, as of the date of determination, all Parity Obligations theretofore delivered under this Resolution and any Resolution authorizing Additional Parity Obligations, except:

- (1) Parity Obligations theretofore canceled and delivered to the Authority or delivered to the Paying Agent/Registrar for cancellation;
- (2) Parity Obligations deemed paid pursuant to the provisions of Section 30 of this Resolution or any comparable section of any Resolution authorizing Additional Parity Obligations;

(3) Parity Obligations upon transfer of or in exchange for and in lieu of which other Parity Obligations have been authenticated and delivered pursuant to this Resolution and any Resolution authorizing Additional Parity Obligations; and

(4) Parity Obligations under which the obligations of the Authority have been released, discharged or extinguished in accordance with the terms thereof.

"Owner" or **"Owners"** means the registered owner, whose name appears in the Security Register, for any Parity Obligation.

"Paying Agent/Registrar" shall have the meaning set forth in Section 7(a) hereof.

"Parity Obligations" means the Series 2013 Obligations and any Additional Parity Obligations hereafter issued by the Authority or obligations issued to refund any of the foregoing (as determined within the sole discretion of the Board in accordance with applicable law) if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured by a first lien on and pledge of the Pledged Revenues.

"Permitted Investments" means any security or obligation or combination thereof permitted under the Public Funds Investments Act, Chapter 2256, Texas Government Code, as amended.

"Pledged Revenues" means (i) a first and prior lien on the Net Operating Revenues, plus (ii) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the Authority, at its sole discretion, to the payment of the Parity Obligations subsequent to the issuance of the Series 2013 Obligations (but none of which potential sources of additional security are initially so pledged).

"Rating Agency" means any nationally recognized securities rating agency which has assigned, at the request of the Authority, a rating to the Parity Obligations.

"Record Date" means Record Date as defined in the Form of Series 2013 Obligation in Exhibit B to this Resolution.

"Reserve Fund" means the special fund that may be created, established and maintained by the provisions of Sections 10 and 14 of this Resolution.

"Reimbursement Obligation" shall mean any obligation entered into by the Authority in connection with any Reserve Fund Credit Facility pursuant to which the Authority obligates itself to reimburse a financial institution, insurance company or other entity for amounts paid or advanced by such entity pursuant to a Reserve Fund Credit Facility. Reimbursement Obligations may be payable from and secured by a lien on Pledged Revenues which is on parity with, or subordinate to, the lien on Pledged Revenues which secures the Parity Obligations pursuant to this Resolution.

"Reserve Fund Credit Facility" shall mean a policy of insurance, surety bond, letter of credit or similar instrument or contract which (i) is issued by an insurance company or financial institution whose senior debt securities are rated in the one of the three highest rating categories by the rating agencies which provide a rating, at the Authority's request, on the Parity Obligations, (ii) may not be terminated by the entity providing the facility prior to the final maturity date of the particular series of Parity Obligations for which

an account in the Reserve Fund is established pursuant to the resolution authorizing such series of Parity Obligations, and (iii) may be drawn upon demand by the Authority to provide funds to pay Principal and Interest Requirements on such particular series of Parity Obligations in the event moneys on deposit in the Interest and Sinking Fund are insufficient to make such payment.

"Resolution" means this Resolution adopted by the Board on November 6, 2013.

"Series 2013 Obligations" means the Series 2013 (AMT) Bonds and the Series 2013 Taxable Bonds.

"Series 2013 (AMT) Bonds" means the "*Corpus Christi Regional Transportation Authority System Revenue Bonds, Series 2013 (AMT)*" issued in the aggregate principal amount of \$11,525,000 pursuant this Resolution.

"Series 2013 Taxable Bonds" means the "*Corpus Christi Regional Transportation Authority System Revenue Bonds, Taxable Series 2013*" issued in the aggregate principal amount of \$10,500,000 pursuant this Resolution.

"Special Facilities Bonds" means special revenue obligations of the Authority which are payable from and secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of obligations of the Authority secured in whole or in part by a lien on and pledge of Net Operating Revenues of the Transit Authority System including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

"Stated Maturity" means the annual principal payments of the Parity Obligations payable on the respective dates set forth in the Resolutions which authorized the issuance of such Parity Obligations.

"Subordinate Lien Obligations" means (i) any bonds, notes, warrants, or other Debt issued by the Authority that are payable, in whole or in part, from and equally and ratably secured by a lien on and pledge of the Net Operating Revenues, such pledge being subordinate and inferior to the lien on and pledge of the Net Operating Revenues that are or will be pledged to the payment of any Parity Obligations issued by the Authority, and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Net Operating Revenues on a parity with the Subordinate Lien Obligations.

"Term Bonds" means those Parity Obligations so designated in the Resolutions authorizing such bonds which shall be subject to retirement by operation of a mandatory redemption account.

"Term of Issue" means with respect to any Balloon Debt, a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Debt and ending on the final maturity date of such Balloon Debt or (ii) twenty-five years.

"Transit Authority System" means any and all Authority real and personal property that is now owned, rented, leased, controlled, operated, or held for mass transit purposes pursuant to Chapter 451, together with all future extensions, improvements, replacements and additions thereto; provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term Transit Authority System shall not mean to include facilities of any kind which are declared not to be a part of the Transit Authority System and which are acquired or constructed by or on behalf of the Authority with the proceeds from the issuance of Special Facilities Bonds.

SECTION 8. PLEDGE OF PLEDGED REVENUES. The Authority hereby covenants and agrees that the Pledged Revenues are hereby irrevocably pledged to the payment and security of the Parity Obligations including the establishment and maintenance of the special funds created, established and maintained for the payment and security thereof, all as hereinafter provided; and it is hereby resolved that the Parity Obligations, and the interest thereon, shall constitute a lien on and pledge of the Pledged Revenues and be valid and binding without any physical delivery thereof or further act by the Authority, and the lien created hereby on the Pledged Revenues for the payment and security of the Parity Obligations, including the establishment and maintenance of the special funds created, established and maintained for the payment and security thereof, shall be superior to the lien on and pledge of revenues securing payment of any Subordinate Lien Obligations hereafter issued by the Authority.

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

SECTION 9. RATES AND CHARGES. For the benefit of the Owners of the Parity Obligations and in addition to all provisions and covenants in the laws of the State of Texas and in this Resolution, the Authority hereby expressly stipulates and agrees, while any of the Parity Obligations are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the Transit Authority System that are reasonably expected, on the basis of available information and experience [with due allowance for contingencies and after taking into account any other lawfully available funds (including the use of lawfully available fund balances) that have been budgeted by the Board to pay Maintenance and Operating Expenses or debt service requirements on Outstanding Debt and after taking into account the Authority's Sale Tax Revenues that have been budgeted by the Board to pay Maintenance and Operating Expenses], to produce Gross Operating Revenues in each Fiscal Year reasonably anticipated to be sufficient:

- A. to pay Maintenance and Operating Expenses;
- B. to produce Net Operating Revenues at least equal to 1.10 times the Annual Debt Service Requirements for such Fiscal Year;
- C. to enable the Authority to make the deposits and credits, if any, from Pledged Revenues (i) to the Reserve Fund to restore any required reserve amounts, including the payment of any Reserve Fund Obligation Payment then due, and (ii) to other reserve funds to establish or restore the reserve securing any issue or series of Additional Parity Obligations;
- D. to produce Net Operating Revenues, together with any other lawfully available funds (including the proceeds of Debt which the Authority expects will be utilized to pay all or part of the principal of and/or interest on any obligations described in this subsection D), sufficient to pay the principal of and interest on any Subordinate Lien Obligations issued by the Authority and the amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Subordinate Lien Obligations and any other obligations or evidences of indebtedness issued or incurred that are payable from, in whole or in part, a subordinate lien on and pledge of the Net Operating Revenues; and

E. to pay any other Debt payable from available revenues of the Authority.

Should the annual audit report required by Section 22 hereof reflect that the Gross Operating Revenues, Authority's Sales Tax Revenues, Pledged Revenues or Net Operating Revenues, as appropriate, and other available funds budgeted by the Board for the Fiscal Year covered thereby were less than necessary to meet the requirements of this Section, the Board will review the operations of the Transit Authority System and the rates and charges for services provided, and the Board will make the necessary adjustments or revisions, if any, in order that the Gross Operating Revenues, Authority's Sales Tax Revenues, Pledged Revenues, or Net Operating Revenues, as appropriate, for the succeeding year, together with other funds of the Authority available to be budgeted for such purpose, will be sufficient to satisfy the foregoing coverage requirements.

SECTION 10. SPECIAL FUNDS. (a) Operating Fund and Interest and Sinking Fund. The establishment of the operating fund of the Authority, hereinafter called the "Operating Fund," is hereby confirmed, and the below listed special Fund is hereby created and shall be established and maintained on the books of the Authority, so long as any of the Parity Obligations are Outstanding and unpaid:

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY REVENUE BONDS INTEREST AND SINKING FUND, hereinafter called the "***Interest and Sinking Fund.***"

(b) Reserve Fund. Additionally, there may be created for the benefit only of the registered owners of a particular series of Parity Obligations for which an account is created in the resolution authorizing such series of Parity Obligations, and when created shall be maintained on the financial records of the Authority (or at an official depository of Authority), for the pro rata benefit of all Parity Obligations of such series for which an account is created, the **CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY REVENUE BONDS RESERVE FUND,** hereinafter called the "***Reserve Fund.***" The Authority may create and establish accounts in the Reserve Fund pursuant to the provisions of any resolution authorizing the issuance of Parity Obligations for the purpose of securing that particular issue or series of Parity Obligations or any specific group of issues or series of Parity Obligations and the amounts once deposited or credited to said account shall no longer constitute Pledged Revenues and shall be held solely for the benefit of the registered owners of the particular Parity Obligations for which such account in the Reserve Fund was established. Each such account in the Reserve Fund shall be designated in such manner as is necessary to identify the Parity Obligations it secures and to distinguish such account from all other accounts in the Reserve Fund created for the benefit of a particular series of Parity Obligations. All terms relating to the requirements to establish, fund and maintain required balances in an account of the Reserve Fund, including but not limited to the use of any Reserve Fund Credit Facility therein, shall be set forth in the resolution authorizing the issuance of the particular series of Parity Obligations for which such account is established.

(c) Construction Fund. There is hereby created and shall be maintained on the financial records of the Authority a project construction fund (the "***Construction Fund***") in connection with the issuance of the Series 2013 Obligations and any series of Additional Parity Obligations issued for the purpose of financing the acquisition, construction, improvement, and equipping of capital projects. Money in the Construction Fund shall be subject to disbursements by the Authority for payment of all costs incurred in carrying out the purpose for which such Parity Obligations are issued, including but not limited to costs for construction, engineering, architecture, financing, financial consultants and legal services related to the projects being financed with proceeds of such Parity Obligations.

(d) *Maintaining Records and Subaccounts.* Though each of such Funds shall be subaccounts of the Authority's Operating Fund held by the Authority's depository, and, as such, not held in separate bank accounts, such treatment shall not constitute a commingling of the monies in such Funds or of such Funds and the Authority shall keep full and complete records indicating the monies and investments credited to each of such Funds. The Authority also may create subaccounts within any such Fund as deemed necessary in order to separately account for proceeds of Parity Obligations and interest earnings related to tax-exempt or taxable Parity Obligations or for any other purpose.

SECTION 11. OPERATING FUND. The Authority hereby covenants, agrees and establishes that the Gross Operating Revenues and Authority's Sales Tax Revenues shall be deposited and credited to the Operating Fund immediately as collected and received. Funds on deposit in the Operating Fund shall be separate from the funds required to be held in a special Operating Reserve Fund as required by Section 451.134 of the Texas Transportation Code.

SECTION 12. FLOW OF FUNDS. (a) *Authority's Sales Tax Revenues.* All Authority's Sales Tax Revenues deposited and credited to the Operating Fund shall be used first to pay Maintenance and Operating Expenses then to fund construction or acquisition of capital improvements, fund any deficiency in the Operating Reserve Fund so that the amount therein is not less than the amount required pursuant Section 451.134 of the Texas Transportation Code, or used for other lawful purposes but shall not be pledged to secure, or used to pay debt service on the Parity Obligations.

(b) *Gross Operating Revenues.* All Gross Operating Revenues deposited and credited to the Operating Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

FIRST: to the payment of all necessary and reasonable Maintenance and Operating Expenses to the extent not paid with Authority's Sales Tax Revenues or other available funds of the Authority.

SECOND: to the payment of the amounts required to be deposited and credited to the Interest and Sinking Fund created and established for the payment of the Parity Obligations issued by the Authority as the same become due and payable.

THIRD: pro rata to the payment of the amounts required to be deposited and credited to any Reserve Fund created and established to maintain any required reserve amount in accordance with the provisions of any resolution authorizing Parity Obligations, including amounts owed with respect to any Reserve Fund Obligation to restore any required reserve amount.

FOURTH: to the payment of debt service payments and reserve fund payments related to Subordinate Lien Obligations.

FIFTH: to the payment of the amounts required for any lawful purpose.

SECTION 13. INTEREST AND SINKING FUND. For purposes of providing funds to pay the principal of, premium, if any, and interest on the Parity Obligations as the same become due and payable, including any mandatory sinking fund redemption payments, the Authority agrees that it shall maintain the Interest and Sinking Fund. The Authority covenants to deposit and credit to the Interest and Sinking Fund prior to each principal, interest payment or redemption date from the available Pledged Revenues an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and the principal of the Parity Obligations then falling due and payable. The Authority shall make such deposits and credits to

pay maturing principal, accrued interest, and mandatory sinking fund redemptions on the Parity Obligations in substantially equal monthly installments on or before the 25th day of each month.

The required monthly deposits and credits to the Interest and Sinking Fund shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in and credited to the Interest and Sinking Fund and the Reserve Fund (excluding any Reserve Fund Obligation) is equal to the amount required to fully pay and discharge all Outstanding Parity Obligations (principal, premium, if any, and interest) or (ii) the Parity Obligations are no longer Outstanding.

Accrued interest and capitalized interest, if any, received from the purchaser of any Parity Obligation shall be taken into consideration and reduce the amount of the semi-annual deposits and credits hereinabove required into the Interest and Sinking Fund.

SECTION 14. RESERVE FUND. (a) *Use of Funds.* Funds on deposit in an account of the Reserve Fund established for the benefit of a particular series of Parity Obligations shall be used to (i) pay the principal of and interest on such series of Parity Obligations for which such account was created at any time when there is not sufficient money available in the Interest and Sinking Fund for such purpose, (ii) pay the principal of or interest on the last maturing Parity Obligations of such series, or (iii) pay Reimbursement Obligations to restore the amount available to be drawn under a Reserve Fund Credit Facility to its original amount. If the amount on deposit in an account of the Reserve Fund for a particular series of Parity Obligations consists of cash and investments and a Reserve Fund Credit Facility, all cash and investments in such account shall be liquidated and withdrawn prior to drawing on the Reserve Fund Credit Facility. If more than one Reserve Fund Credit Facility is maintained in an account of the Reserve Fund, any withdrawals on such Reserve Fund Credit Facilities shall be pro rata.

(b) *Series 2013 (AMT) Bonds Secured with Reserve Fund.* The Authority hereby establishes an account in the Reserve Fund, to be known as the "Series 2013 (AMT) Reserve Fund Account," for the benefit of the registered owners of the Series 2013 (AMT) Bonds. The amount required to be on deposit in the Series 2013 (AMT) Reserve Fund Account is \$816,760.00, which amount is equal to the lesser of (i) 125% of the average annual Principal and Interest Requirements of the Series 2013 (AMT) Bonds calculated on the date of issuance and delivery of the Series 2013 (AMT) Bonds, (ii) 100% of the maximum annual Principal and Interest Requirements of the Series 2013 (AMT) Bonds calculated on the date of issuance and delivery of the Series 2013 (AMT) Bonds, and (iii) 10% of the principal amount of the Series 2013 (AMT) Bonds (the "Series 2013 (AMT) Reserve Account Requirement"). The Authority initially shall fund the Series 2013 (AMT) Reserve Fund Account on the date of delivery of the Series 2013 (AMT) Bonds by depositing legally available cash on hand in an amount equal to the Series 2013 (AMT) Reserve Fund Requirement. When and so long as the money and investments in the Series 2013 (AMT) Reserve Fund Account total not less than the Series 2013 (AMT) Reserve Account Requirement, no deposits need be made to the credit of the Series 2013 (AMT) Reserve Fund Account; but when and if the Series 2013 (AMT) Reserve Fund Account at any time contains less than the Series 2013 (AMT) Reserve Account Requirement, the Authority covenants and agrees to cure the deficiency in the Series 2013 (AMT) Reserve Account Requirement within sixty (60) months from the date the deficiency occurred by making monthly deposits from funds on deposit in the Operating Fund (but only after making the required deposits to pay Maintenance and Operating Expenses and necessary deposits into the Interest and Sinking Fund) on the 25th day of each month in approximately equal amounts. During such time as the Series 2013 (AMT) Reserve Fund Account contains the Series 2013 (AMT) Reserve Account Requirement, the Authority may, at its option, withdraw all surplus funds in the Series 2013 (AMT) Reserve Fund Account in excess of the Series 2013 (AMT) Reserve Account Requirement and deposit such surplus in the Operating Fund. For the purpose of determining the amount on deposit to the credit of the Series 2013 (AMT) Reserve Fund Account, investments in which money in such

account shall have been invested shall be computed at cost. The amount on deposit to the credit of the Series 2013 (AMT) Reserve Fund Account shall be computed by the Authority at least annually, and shall be computed immediately upon any withdrawal from the Series 2013 (AMT) Reserve Fund Account.

(c) *Taxable Series 2013 Bonds Secured with Reserve Fund.* The Authority hereby establishes an account in the Reserve Fund, to be known as the "Taxable Series 2013 Reserve Fund Account," for the benefit of the registered owners of the Taxable Series 2013 Bonds. The amount required to be on deposit in the Taxable Series 2013 Reserve Fund Account is \$794,541.50, which amount is equal to 100% of the maximum annual Principal and Interest Requirements of the Taxable Series 2013 Bonds calculated on the date of issuance and delivery of the Taxable Series 2013 Bonds (the "Taxable Series 2013 Reserve Account Requirement"). The Authority initially shall fund the Taxable Series 2013 Reserve Fund Account on the date of delivery of the Taxable Series 2013 Bonds by depositing legally available cash on hand in an amount equal to the Taxable Series 2013 Reserve Fund Requirement. When and so long as the money and investments in the Taxable Series 2013 Reserve Fund Account total not less than the Taxable Series 2013 Reserve Account Requirement, no deposits need be made to the credit of the Taxable Series 2013 Reserve Fund Account; but when and if the Taxable Series 2013 Reserve Fund Account at any time contains less than the Taxable Series 2013 Reserve Account Requirement, the Authority covenants and agrees to cure the deficiency in the Taxable Series 2013 Reserve Account Requirement within sixty (60) months from the date the deficiency occurred by making monthly deposits from funds on deposit in the Operating Fund (but only after making the required deposits to pay Maintenance and Operating Expenses and necessary deposits into the Interest and Sinking Fund) on the 25th day of each month in approximately equal amounts. During such time as the Taxable Series 2013 Reserve Fund Account contains the Taxable Series 2013 Reserve Account Requirement, the Authority may, at its option, withdraw all surplus funds in the Taxable Series 2013 Reserve Fund Account in excess of the Taxable Series 2013 Reserve Account Requirement and deposit such surplus in the Operating Fund. For the purpose of determining the amount on deposit to the credit of the Taxable Series 2013 Reserve Fund Account, investments in which money in such account shall have been invested shall be computed at cost. The amount on deposit to the credit of the Taxable Series 2013 Reserve Fund Account shall be computed by the Authority at least annually, and shall be computed immediately upon any withdrawal from the Taxable Series 2013 Reserve Fund Account.

(d) *Reserve Fund Requirements to be Set Forth in Additional Parity Obligations Resolution.* In the event the Authority establishes an account in the Reserve Fund for the benefit of the holders of a particular series of Parity Obligations, all provisions with respect to the funding requirements and other details shall be set forth in the resolution authorizing such series of Parity Obligations.

SECTION 15. LIMITED OBLIGATIONS OF THE AUTHORITY. The Parity Obligations are limited, special obligations of the Authority payable from and equally and ratably secured solely by a first lien on and pledge of the Pledged Revenues, and the Owners thereof shall never have the right to demand payment of the principal or interest on the Parity Obligations from any funds raised or to be raised through taxation by the Authority, including the Authority's Sales Tax.

SECTION 16. SECURITY FOR FUNDS. All money on deposit in the Funds for which this Resolution makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of Texas for the security of public funds, and money on deposit in such Funds shall be used only for the purposes permitted by this Resolution.

SECTION 17. EXCESS BOND PROCEEDS. Any proceeds of Parity Obligations not required to effectuate the purposes for which such Parity Obligations were issued, as provided in the respective

resolutions authorizing the issuance of such Parity Obligations, or for the payment of the costs of issuance of such Parity Obligations shall be deposited and credited to the Interest and Sinking Fund and shall be taken into consideration and shall reduce the amount of semi-annual deposits and credits to the Interest and Sinking Fund from the Pledged Revenues or used to redeem or purchase Parity Obligations.

SECTION 18. DEFICIENCIES - EXCESS PLEDGED REVENUES. (a) If on any occasion there shall not be sufficient Pledged Revenues (after making all payments pertaining to all Parity Obligations) to make the required deposits and credits to the Interest and Sinking Fund and the Reserve Fund, then such deficiency shall be cured as soon as possible from the next available unallocated Pledged Revenues, or from any other sources available for such purpose, and such deposits and credits shall be in addition to the amounts otherwise required to be deposited and credited to these Funds.

(b) Subject to making the deposits and credits required by this Resolution, or any Resolutions authorizing the issuance of Additional Parity Obligations, or the payments and credits required by the provisions of the Resolutions authorizing the issuance of Subordinate Lien Obligations hereafter issued by the Authority, the excess Pledged Revenues may be used for any lawful purpose.

SECTION 19. INVESTMENT OF FUNDS - VALUATION - TRANSFER OF INVESTMENT INCOME. (a) Money in the Operating Fund, the Interest and Sinking Fund and the Reserve Fund may, at the option of the Authority, be invested in Permitted Investments; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any fund will be available at the proper time or times. All such investments shall be valued in terms of current market value no less frequently than the last business day of the Authority's Fiscal Year, except that any direct obligations of the United States of America - State and Local Government Series shall be continuously valued at their par value or principal face amount. Any obligation in which money is so invested shall be kept and held at the Depository, except as otherwise permitted by the laws applicable to the Authority. For purposes of maximizing investment returns, money in such funds may be invested, together with money in other funds or with other money of the Authority, in common investments of the kind described above, or in a common pool of such investments held by the Authority or its designated agent, which shall not be deemed to be or constitute a commingling of such money or funds provided that safekeeping receipts or certificates of participation clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such fund are held by or on behalf of each such fund. If necessary, such investments shall be promptly sold to prevent any default.

(b) All interest and income derived from such investments (other than interest and income derived from amounts credited to the Reserve Fund if the Reserve Fund does not contain the required reserve amount and other than interest and income derived from amounts credited to the Authority's Sales Tax which amount may be used for any lawful purpose) shall be credited to the Operating Fund semi-annually and shall constitute Gross Operating Revenues.

SECTION 20. PAYMENT OF PARITY OBLIGATIONS. While any of the Parity Obligations are Outstanding, the Authority shall transfer to the respective paying agent/registrar therefor, from funds on deposit in and credited to the Interest and Sinking Fund, and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly the interest on and principal of the Parity Obligations as shall become due on each interest or principal payment date, or date of redemption of the Parity Obligations; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with each respective paying agent/registrar for the Parity Obligations not later than the business day next preceding the date such payment is due on the Parity Obligations. The Paying Agent/Registrar shall destroy all paid Parity Obligations and furnish the Authority with an appropriate certificate of cancellation or destruction.

SECTION 21. GENERAL COVENANTS. That the Authority further covenants and agrees that in accordance with and to the extent required or permitted by law:

(a) *Performance.* It will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in any Resolution authorizing the issuance of Parity Obligations, including this Resolution, and in each and every Parity Obligation; it will promptly pay or cause to be paid the principal of and interest on every Parity Obligation on the dates and in the places and manner prescribed in such Resolutions and obligations; and it will, at the times and in the manner prescribed, deposit and credit or cause to be deposited and credited the amounts required to be deposited and credited to the Interest and Sinking Fund and the Reserve Fund.

(b) *Authority's Legal Authority.* It is a duly created and existing metropolitan rapid transit authority, and is duly authorized under the laws of the State of Texas to create and issue the Parity Obligations; that all action on its part for the creation and issuance of the Parity Obligations has been duly and effectively taken, and that the Parity Obligations in the hands of the Owners thereof are and will be valid and enforceable special obligations of the Authority in accordance with their terms.

(c) *Title.* It has or will obtain lawful title to the lands, buildings, structures, transit vehicles and facilities constituting the Transit Authority System, that it warrants that it will defend the title to all the aforesaid lands, buildings, structures, transit vehicles and facilities, and every part thereof, for the benefit of the Owners of the Parity Obligations, against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Obligations in the manner prescribed herein, and has lawfully exercised such rights.

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

(e) *Operation of Facilities; No Free Service.* It will, while the Parity Obligations are Outstanding and unpaid, continuously and efficiently operate the Transit Authority System, and shall maintain the Transit Authority System in good condition, repair and working order, all at reasonable cost. No free service of the Transit Authority System shall be allowed that is in addition to the customary and currently existing free service provided to children under the age of 5, to the City for certain municipal purposes, for promotion of ridership, for certain established community events and for certain social service purposes, and should the Authority or any of its agencies or instrumentalities make use of the services and facilities of the Transit Authority System, payment of the reasonable value shall be made by the Authority out of funds from sources other than the Gross Operating Revenues unless made from surplus or excess Pledged Revenues as permitted in Section 18.

(f) *Further Encumbrance.* While the Parity Obligations are Outstanding and unpaid, it will not additionally encumber the Pledged Revenues in any manner, except as permitted in this Resolution in

connection with Additional Parity Obligations, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants and agreements of this Resolution; but the right of the Authority to issue or incur obligations payable from a subordinate lien on the Pledged Revenues is specifically recognized and retained.

(g) Sale or Disposal of Property. While the Parity Obligations are Outstanding and unpaid, it will not sell, convey, mortgage, encumber or otherwise dispose of the Transit Authority System, or any significant or substantial part thereof; provided, that the Authority retains the right to sell, convey, mortgage, encumber, lease or otherwise dispose of any significant or substantial part of the Transit Authority System if (i) the Chief Executive Officer of the Authority delivers a certificate to the Board to the effect that, following such action by the Board, the Authority is expected to produce Gross Operating Revenues in amounts sufficient in each Fiscal Year while any of the Parity Obligations are to be Outstanding to comply with the obligations of the Authority contained in this Resolution and in the resolutions authorizing the issuance of Additional Parity Obligations; (ii) the Board makes a finding and determination to the same effect as the certificate of the Chief Executive Officer of the Authority set forth in (i) above, and (iii) each national rating service then maintaining a rating on any Parity Obligation delivers a letter to the Authority to the effect that such sale, conveyance, mortgage, encumbrance, lease or other disposition will not cause the rating agency to withdraw or lower the rating then in effect. It is further provided that whenever the Board determines that any property, machinery, fixtures or equipment is no longer useful in the operations of the Transit Authority System, it may sell or otherwise dispose of such property, machinery, fixtures or equipment when it has made arrangements to replace the same or provide substitutes therefor, unless it is determined that no such replacement or substitute is necessary. Proceeds from any sale hereunder not used to replace or provide for substitution of such property sold, shall be used for improvements to the Transit Authority System or to purchase or redeem Parity Obligations. Notwithstanding anything to the contrary contained in this Section, the Authority specifically retains the right to enter into leases of its properties in the ordinary course of its business upon a finding by the Board to the effect that the lease is expected to have a positive impact on Net Operating Revenues over the term of the lease.

(h) Insurance. (1) It shall cause to be insured such parts of the Transit Authority System as would usually be insured by municipal corporations operating like properties, with a responsible insurance company or companies, against risks, accidents or casualties against which and to the extent insurance is usually carried by municipal corporations operating like properties, including, to the extent reasonably obtainable, fire and extended coverage insurance, insurance against damage by floods, and use and occupancy insurance. Public liability and property damage insurance shall also be carried unless the General Counsel of the Authority gives a written opinion to the effect that the Authority is not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the Authority shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the Owners and their representatives at all reasonable times. Upon the happening of any loss or damage covered by insurance from one or more of said causes, the Authority shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the Authority. The proceeds of insurance covering such property are hereby pledged as security for the Parity Obligations and, together with any other funds necessary and available for such purpose, shall be used forthwith by the Authority for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the Transit Authority System shall be used promptly as follows:

(i) for the redemption prior to maturity of the Parity Obligations, ratably in the proportion that the Outstanding principal of each series of Parity Obligations bears to the total Outstanding

principal of all Parity Obligations, provided that if on any such occasion the principal of any such series is not subject to redemption, it shall not be regarded as Outstanding in making the foregoing computation; or

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

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

(2) The foregoing provisions of (1) above notwithstanding, the Authority shall have authority to enter into coinsurance, self insurance or similar plans where risk of loss is shared in whole or in part by the Authority.

(3) The annual audit hereinafter required shall contain a section commenting on whether or not the Authority has complied with the requirements of this Section with respect to the maintenance of insurance, and listing all policies carried, and whether or not all insurance premiums upon the insurance policies to which reference is hereinbefore made have been paid.

(4) Nothing in this Resolution shall be construed as requiring the Authority to expend any funds which are derived from sources other than the operation of the Transit Authority System, but nothing herein shall be construed as preventing the Authority from doing so.

(i) Governmental Agencies. It will comply with all of the terms and conditions of any and all franchises, permits and authorizations applicable to or necessary with respect to the Transit Authority System, and which have been obtained from any governmental agency; and the Authority has or will obtain and keep in full force and effect all franchises, permits, authorization and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation and maintenance of the Transit Authority System.

(j) The Authority's Sales Tax.

(1) As the source of payment of certain expenses of the Authority that would otherwise be considered Maintenance and Operating Expenses, the Board hereby represents that it has duly complied with the provisions of Chapter 451 for the imposition and collection of the Authority's Sales Tax at the rate approved at the Election, and such Authority's Sales Tax is being imposed within the boundaries of the Authority and the receipts of such Authority's Sales Tax are being remitted to Authority by the Comptroller of Public Accounts of the State on a monthly basis. The Authority agrees to take and pursue all action legally permissible to cause the Authority's Sales Tax to be collected and remitted and disbursed as required by Chapter 451 and the Election at the earliest and most frequent times permitted by applicable law.

(2) As required by Chapter 451 and the Election, the Authority upon its receipt of the Authority's Sales Tax Revenues is retaining the Authority's Sales Tax Revenues and using the same for authorized purposes.

(3) While any Parity Obligations are Outstanding, the Authority covenants, agrees and warrants to take and pursue all action permissible to cause the Authority's Sales Tax to be imposed and collected continuously, in the manner and to the maximum extent permitted by law, and to cause no reduction, abatement or exemption in the Authority's Sales Tax or rate of tax below the rate stated provided at the Election to be ordered or permitted while any Parity Obligations shall remain Outstanding.

(4) If hereafter authorized by law to apply, impose and levy the Authority's Sales Tax on any taxable items or transactions that are not subject to the Authority's Sales Tax on the date of the adoption hereof, to the extent it legally may do so, the Authority agrees to take such action as may be required to subject such taxable items or transactions to the Authority's Sales Tax.

SECTION 22. RECORDS AND ACCOUNTS - ANNUAL AUDIT. The Authority covenants and agrees that so long as any of the Parity Obligations remain Outstanding, the Authority will keep and maintain a separate and complete system of records and accounts pertaining to the operations of the Transit Authority System in which full, complete, true, proper, and correct entries shall be made of all dealings, transactions, business and affairs relating thereto, or which in any way affect or pertain to the Transit Authority System or the Gross Operating Revenues, Authority's Sales Tax Revenues or the Net Operating Revenues thereof, as provided by generally accepted accounting principles, consistently applied, and Chapter 451 or other applicable law. The Owners of the Parity Obligations or any duly authorized agent or agents of such Owners shall have the right to inspect the Transit Authority System and all properties comprising the same. The Authority further agrees that, following the close of each Fiscal Year, the Authority will cause an audit report of such records and accounts to be made by an Accountant. Copies of each annual audit shall be made available for public inspection during normal business hours at the Authority's principal office and may be furnished to, upon written request, any Owner upon payment of the reasonable copying and mailing charges.

SECTION 23. ISSUANCE OF ADDITIONAL PARITY OBLIGATIONS. (a) The Authority shall have the right and power at any time and from time to time and in one or more series or issues, to authorize, issue and deliver additional parity revenue bonds or other obligations (herein called "Additional Parity Obligations"), in accordance with law, in any amounts, for any purpose authorized by law including extending, improving or repairing the Transit Authority System or for the purpose of refunding of any Parity Obligations, Subordinate Lien Obligations or other obligations of the Authority incurred in connection with the ownership or operation of the Transit Authority System. Such Additional Parity Obligations, if and when authorized, issued and delivered in accordance with this Resolution, shall be secured by and made payable equally and ratably on a parity with all other Outstanding Parity Obligations, from the lien on and pledge of the Pledged Revenues herein granted.

(b) The Interest and Sinking Fund established by this Resolution shall secure and be used to pay all Parity Obligations. However, each Resolution under which Additional Parity Obligations are issued shall provide and require that, in addition to the amounts required by the provisions of this Resolution and the provisions of any other Resolution or Resolutions authorizing Additional Parity Obligations to be deposited to the credit of the Interest and Sinking Fund, the Authority shall deposit to the credit of the Interest and Sinking Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Parity Obligations then being issued, as the same come due.

SECTION 24. FURTHER REQUIREMENTS FOR ADDITIONAL PARITY OBLIGATIONS.

Additional Parity Obligations shall be issued only in accordance with this Resolution, but notwithstanding any provisions of this Resolution to the contrary, no installment, Series or issue of Additional Parity Obligations shall be issued or delivered unless:

(a) The Chief Executive Officer of the Authority and the Chairman of the Board sign a written certificate to the effect that the Authority is not in default as to any covenant, condition or obligation in connection with all Outstanding Parity Obligations, and the Resolutions authorizing same, and that the Interest and Sinking Fund and the Reserve Fund each contains the amount then required to be therein.

(b) The chief financial officer of the Authority executes a written certificate to the effect that, during either the next preceding Fiscal Year, or any twelve consecutive calendar month period ending not more than ninety days prior to the date of the then proposed Additional Parity Obligations, the Net Operating Revenues were at least equal to the sum of (i) 3.0 times the Average Annual Debt Service Requirements (computed on a Fiscal Year basis), including Amortization Installments, of the Parity Obligations and the Additional Parity Obligations to be Outstanding after the issuance of the then proposed Additional Parity Obligations, and (ii) 1.0 times the average annual debt service requirement (computed in the same manner as for Parity Obligations) of the Subordinate Lien Obligations to be Outstanding after the issuance of the then proposed Additional Parity Obligations.

(c) In making a determination of Net Operating Revenues for any of the purposes described in this Section, the chief financial officer may take into consideration a change in the rates and charges for services and facilities afforded by the Transit Authority System, and contracts and leases for use of Transit Authority System, that became effective at least 60 days prior to the last day of the period for which Net Operating Revenues are determined and, for purposes of satisfying the Net Operating Revenues tests described above, make a pro forma determination of the Net Operating Revenues of the Transit Authority System for the period of time covered by such certification based on such change in rates and charges being in effect for the entire period covered by said certificate.

SECTION 25. REFUNDING BONDS. The Authority reserves the right to issue Additional Parity Obligations to refund all or any part of the Outstanding Parity Obligations or any other obligations of the Authority payable, in whole or in part, from the Pledged Revenues, pursuant to any law then available, upon such terms and conditions as the Board may deem to be in the best interest of the Authority and the customers of the Transit Authority System, and, unless all of the then Outstanding Parity Obligations are refunded, the conditions precedent prescribed for the issuance of Additional Parity Obligations and the representations and certifications required in Sections 23 and 24 shall be satisfied and shall give effect to the Average Annual Debt Service Requirements of the proposed refunding Additional Parity Obligations (but shall not give effect to the Average Annual Debt Service Requirements of the obligations being refunded following their cancellation or provision being made for their payment); provided, however, if as a result of such refunding the Annual Debt Service Requirements are not increased in any Fiscal Year, the Authority shall not be required to satisfy the requirements of Section 24(b) as a requirement for the issuance of such refunding Additional Parity Obligations.

SECTION 26. ISSUANCE OF SUBORDINATE LIEN OBLIGATIONS. The Authority hereby reserves the right to issue, at any time, obligations including, but not limited to, Subordinate Lien Obligations, payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Net Operating Revenues, subordinate and inferior in rank and dignity to the lien on and pledge of Pledged Revenues securing the payment of the Parity Obligations, as may be authorized by the laws of the State.

SECTION 27. ISSUANCE OF SPECIAL PROJECT OBLIGATIONS. Nothing in this Resolution shall be construed to deny the Authority the right and it shall retain, and hereby reserves unto itself, the right to issue Special Project obligations secured by liens on and pledges of revenues and proceeds derived from Special Projects.

SECTION 28. REMEDIES IN EVENT OF DEFAULT. In addition to all the rights and remedies provided by the laws of the State of Texas, it is specifically covenanted and agreed particularly that in the event the Authority (i) defaults in the payment of the principal, premium, if any, or interest on the Parity Obligations, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund or Reserve Fund, or (iii) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Resolution, the following remedies shall be available:

(a) the Owners of any of the Parity Obligations shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the Authority and other officers of the Authority to observe and perform any covenant, condition or obligation prescribed in this Resolution.

(b) no delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedy herein provided shall be cumulative of all other existing remedies, and the specification of such remedy shall not be deemed to be exclusive.

SECTION 29. AMENDMENT OF RESOLUTION. (a) The Owners of the Parity Obligations aggregating a majority in principal amount of the aggregate principal amount of then Outstanding Parity Obligations shall have the right from time to time to approve any amendment to this Resolution which may be deemed necessary or desirable by the Authority, provided, however, that without the consent of the Owners of all of the effected Parity Obligations at the time Outstanding, nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in this Resolution or in the Parity Obligations so as to:

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

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

shall state that a copy thereof is on file for inspection by all registered owners of Parity Obligations at the designated trust office of the registrar for the Parity Obligations. Such publication is not required, however, if notice in writing is given to each registered owner of the Parity Obligations.

(c) Whenever at any time not less than thirty days, and within one year, from the date of the first publication of said notice or other service of written notice the Authority shall receive an instrument or instruments executed by the Owners of at least a majority in aggregate principal amount of all Parity Obligations then Outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file with the Paying Agent/Registrar, the Board may pass the amendatory Resolution in substantially the same form.

Whenever a series of Parity Obligations is insured by a municipal bond insurance policy or secured by a letter of credit, surety bond or other surety device issued by a financial institution such that the series of Parity Obligations so insured or secured is rated in one of the two highest rating categories by any nationally recognized statistical rating organization, and so long as such financial institution is not in default under the terms of any such municipal bond insurance policy or other applicable agreement or instrument, the financial institution (i) shall be deemed the owner of such series of Parity Obligations for purposes of granting consents for any proposed amendments requiring consents and (ii) shall have the right to exercise such consent rights for the applicable series of Parity Obligations insured or secured by such financial institution.

(d) Upon the passage of any amendatory Resolution pursuant to the provisions of this Section, this Resolution shall be deemed to be amended in accordance with such amendatory Resolution, and the respective rights, duties and obligations under this Resolution of the Authority and all the Owners of then Outstanding Parity Obligations shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such amendments.

(e) Any consent given by the registered owner of a Parity Obligation pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication of the notice provided for in this Section, and shall be conclusive and binding upon all future Owners of the same Parity Obligation during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the Owner who gave such consent, or by a successor in title, by filing notice thereof with the Paying Agent and the Authority, but such revocation shall not be effective if the registered owners of at least a majority in aggregate principal amount of the then Outstanding Parity Obligations as in this Section defined have, prior to the attempted revocation, consented to and approve the amendment.

(f) For the purpose of this Section, the fact of the holding of Parity Obligations issued in registered form without coupons and the amounts and numbers of such Parity Obligations and the date of their holding same shall be proved by the Registration Books of the Paying Agent/Registrar. For purposes of this Section, the Owner of a Parity Obligation in such registered form shall be the owner thereof as shown on such Registration Books. The Authority may conclusively assume that such ownership continues until written notice to the contrary is served upon the Authority.

(g) The foregoing provisions of this Section notwithstanding, the Authority by action of the Board may amend this Resolution for any one or more of the following purposes:

(1) To add to the covenants and agreements of the Authority in this Resolution contained, other covenants and agreements thereafter to be observed, grant additional rights or remedies to Owners or to surrender, restrict or limit any right or power herein reserved to or conferred upon the Authority;

(2) To make such provisions for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective provision contained in this Resolution, or in regard to clarifying matters or questions arising under this Resolution, as are necessary or desirable and not contrary to or inconsistent with this Resolution and which shall not adversely affect the interests of the Owners of the Parity Obligations;

(3) To make any changes or amendments requested by any Rating Agency, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Authority, materially adversely affect the interests of the owners of the Outstanding Parity Obligations;

(4) To make such changes, modifications or amendments as may be necessary or desirable, which shall not adversely affect the interests of the owners of the Outstanding Parity Obligations, in order, to the extent permitted by law, to facilitate the economic and practical utilization of credit agreements with respect to the Parity Obligations including, without limitation, supplementing the definition of "Annual Debt Service Requirements" to address the amortization of payments due and owing under a credit agreement;

(5) To modify any of the provisions of this Resolution in any other respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Parity Obligations Outstanding at the date of the adoption of such modification shall cease to be Outstanding, and (ii) such modification shall be specifically referred to in the text of all Additional Parity Obligations issued after the date of the adoption of such modification.

Notice of any such amendment may be published or given by the Authority in the manner described in subsection (b) of this Section; provided, however, that the publication of such notice shall not constitute a condition precedent to the adoption of such amendatory Resolution and the failure to publish such notice shall not adversely affect the implementation of such amendment as adopted pursuant to such amendatory Resolution.

APPENDIX B

Financial Information for the Corpus Christi Regional Transportation Authority

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DEBT SERVICE SCHEDULES

Fiscal Year Ending 12/31	\$11,525,000 Series 2013 (AMT Bonds)			\$10,500,000 Series 2013, Taxable Bonds			Combined Debt Service
	Principal	Interest	Total	Principal	Interest	Total	
2014	\$300,000	\$515,830	\$815,830	\$275,000	\$517,848	\$792,848	\$1,608,678
2015	280,000	533,823	813,823	255,000	539,542	794,542	1,608,364
2016	285,000	528,223	813,223	255,000	536,023	791,023	1,604,245
2017	295,000	516,823	811,823	260,000	531,203	791,203	1,603,026
2018	310,000	505,023	815,023	265,000	524,885	789,885	1,604,908
2019	320,000	492,623	812,623	275,000	517,147	792,147	1,604,770
2020	335,000	479,823	814,823	285,000	507,742	792,742	1,607,565
2021	345,000	469,773	814,773	295,000	496,570	791,570	1,606,343
2022	355,000	458,129	813,129	310,000	483,708	793,708	1,606,837
2023	370,000	445,260	815,260	320,000	469,386	789,386	1,604,646
2024	390,000	426,760	816,760	340,000	453,994	793,994	1,610,754
2025	410,000	406,285	816,285	355,000	436,586	791,586	1,607,871
2026	425,000	388,450	813,450	375,000	418,410	793,410	1,606,860
2027	445,000	368,794	813,794	395,000	396,473	791,473	1,605,266
2028	465,000	348,213	813,213	420,000	373,365	793,365	1,606,578
2029	490,000	324,963	814,963	445,000	348,795	793,795	1,608,758
2030	515,000	300,463	815,463	470,000	322,763	792,763	1,608,225
2031	540,000	274,713	814,713	495,000	295,268	790,268	1,604,980
2032	565,000	247,038	812,038	525,000	266,310	791,310	1,603,348
2033	595,000	218,081	813,081	555,000	235,598	790,598	1,603,679
2034	625,000	187,588	812,588	590,000	203,130	793,130	1,605,718
2035	660,000	153,994	813,994	625,000	167,140	792,140	1,606,134
2036	695,000	118,519	813,519	665,000	129,015	794,015	1,607,534
2037	735,000	81,163	816,163	705,000	88,450	793,450	1,609,613
2038	775,000	41,656	816,656	745,000	45,445	790,445	1,607,101
	<u>\$11,525,000</u>	<u>\$8,832,003</u>	<u>\$20,357,003</u>	<u>\$10,500,000</u>	<u>\$9,304,793</u>	<u>\$19,804,793</u>	<u>\$40,161,796</u>

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Historical and Projected CCRTA Farebox Revenue Collections and Pro Forma Debt Service Coverage

TABLE 1

	Fiscal Year Ended December 31									
	2009	2010	2011	2012	2013 ⁽⁴⁾	2014 ⁽⁴⁾	2015 ⁽⁴⁾	2016 ⁽⁴⁾	2017 ⁽⁴⁾	2018 ⁽⁴⁾
Operating Revenue	\$1,658,675	\$1,626,297	\$1,813,663	\$1,851,238	\$1,996,350	\$2,078,303	\$2,244,671	\$2,389,680	\$2,515,281	\$3,486,373
Non Operating Revenues (Expenses)										
Sales and Use Tax ⁽¹⁾	20,821,573	22,891,712	26,235,525	31,571,834	33,220,700	34,885,754	36,106,755	37,370,492	38,678,459	40,032,205
Lease Revenue					240,000	480,000	480,000	480,000	480,000	480,000
Grant Assistance	805,664	995,526	2,527,017	3,226,061	2,000,000	2,286,209	2,000,000	2,000,000	2,000,000	2,000,000
Investment Income	81,807	100,071	27,860	51,173	54,812	66,000	147,909	145,945	294,182	298,243
Other Non-Operating Items	(433,539)	8,012	1,733	1,086	0	0	147,909	145,945	294,182	298,243
Distributions to Region Entities	(1,458,952)	(1,325,648)	(1,918,020)	(2,154,150)	(2,593,634)	(2,770,903)	(3,032,876)	(3,132,027)	(3,234,648)	(3,340,860)
Sub-Total	19,816,553	22,669,673	26,874,115	32,696,004	32,681,878	34,467,060	35,609,697	37,010,355	38,512,175	39,767,831
Total Revenue	\$21,475,228	\$24,295,970	\$28,687,778	\$34,547,242	\$34,678,228	\$36,545,363	\$37,854,369	\$39,400,034	\$41,027,456	\$43,254,204
Maintenance & Operating ("M&O") Expenses⁽²⁾	\$21,295,311	\$22,190,593	\$23,801,087	\$25,239,860	\$25,839,788	\$30,009,012	\$32,364,071	\$32,764,312	\$33,844,215	\$34,977,996
Net Gain/(Loss)⁽³⁾	179,917	2,105,377	4,886,691	9,307,382	8,838,440	6,536,351	5,490,297	6,635,723	7,183,241	8,276,208
Maintenance & Operations Expense Coverage	1.01	1.09	1.21	1.37	1.34	1.22	1.17	1.20	1.21	1.24
Pledged Revenue for Debt Service	\$1,658,675	\$1,626,297	\$1,813,663	\$1,851,238	\$1,996,350	\$2,078,303	\$2,244,671	\$2,389,680	\$2,515,281	\$3,486,373
Debt Service on Bonds	\$0	\$0	\$0	\$0	\$0	\$1,608,678	\$1,608,364	\$1,604,245	\$1,603,026	\$1,604,908
Debt Service Coverage						1.29	1.40	1.49	1.57	2.17

⁽¹⁾ Issuer Sales Tax is not pledged for the repayment of debt service.

⁽²⁾ Excludes depreciation.

⁽³⁾ Does not include Capital Grants and Donations.

⁽⁴⁾ Projections provided by the issuer.

Current Rates for Transit System Services**TABLE 2****Regular Fares**

Adult Single Fare	\$0.75
Reduced Fare*	\$0.25
Reduced Fare* Off-Peak	\$0.10

(Reduced Fare* Off-Peak only valid weekdays only before 6am, 9am-3pm, and after 6pm)

Premium Service Fares: Park and Ride/Express/Rural Services

Adult Single Fare	\$1.25
Reduced Fare*	\$0.25
#94 Port Aransas Shuttle	\$0.25

*2 hour time limit transfer included with single fare.

Transfer from Fixed Route to Premium Service will require difference in fare.

B-Line

Regular Fare	\$1.25
Surcharge outside 3/4 mile ADA zone	\$2.00

Passes

Day Pass	\$1.75
7 Day Pass	\$7.50
31 Day Pass	\$30.00
Reduced Fare* 31 Day Pass	\$11.00
Commuter 11 Trip Pass	\$12.50
B-Line Pass	\$50.00

Harbor Ferry Fares

Round Trip Pass	\$3.00
Reduced Fare*	\$1.50

Tokens

Tokens will be treated no differently for Issuer bus routes and B-Line Service.

Good for one trip on all Issuer services except for Harbor Ferry.

Reduced*: Senior Citizens, Individuals with disabilities, Medicare Card holders, Students age 6+, all with valid id.

Children under the age of 5 ride free with accompanied adult.

Reduced Fare off-peak hours are only applicable on weekdays.

Operating and Ridership Statistics

TABLE 3

	2009	2010	2011	2012	2013*	2014*	2015*	2016*	2017*	2018*
System Ridership										
Motor Bus	5,064,696	5,238,131	5,749,312	5,764,790	6,050,000	6,150,000	6,400,000	6,550,000	6,700,000	6,850,000
Demand Response/Para-transit	196,617	190,745	199,368	202,974	188,210	220,000	232,000	250,000	270,000	285,000
Ferry Boat	11,683	0	52,951	86,676	86,659	87,500	90,000	93,000	95,000	97,000
Vanpool	10,178	5,410	5,512	5,788	5,799	6,000	6,500	7,000	7,250	7,500
System Hours										
Motor Bus	207,551	225,073	226,999	237,320	239,653	260,000	285,000	297,000	305,000	310,000
Demand Response/Para-transit	68,680	71,558	74,728	79,413	80,604	82,100	82,400	83,000	84,400	89,500
Ferry Boat	545	0	881	1,135	1,063	1,070	1,070	1,070	1,070	1,070
Vanpool	961	965	975	983	990	1,020	1,100	1,200	1,300	1,450
System Miles										
Motor Bus	2,785,415	3,232,691	3,256,971	3,387,397	3,556,123	3,700,946	3,841,220	3,972,130	4,003,020	4,025,127
Demand Response/Para-transit	1,348,943	1,599,595	1,556,289	1,425,691	1,425,873	1,430,160	1,643,053	1,493,777	1,531,122	1,570,931
Ferry Boat	1,860	0	2,179	2,660	2,485	2,600	2,600	2,600	2,600	2,600
Vanpool	25,525	29,710	30,156	30,608	30,975	31,341	35,101	38,963	39,157	39,353
Vehicles In Service										
Motor Bus	63	58	56	59	59	63	63	65	66	68
Demand Response/Para-transit	30	26	26	26	26	25	26	27	28	28
Ferry Boat	1	0	1	2	2	1	1	1	1	1
Vanpool	2	4	3	3	4	5	6	7	8	9
Use of Capital Funds										
Vehicles	8,397,094	526,506	2,707,772	4,864,974	2,973,835	4,440,227	6,693,134	8,146,346	8,162,213	1,328,690
Communications & Information	738,184	562,545	425,524	439,364	482,143	0	0	0	0	0
Facilities and Stations	3,844,189	471,546	1,022,722	7,228,414	2,459,393	250,000	258,750	267,806	437,179	1,152,481
Other	1,417,030	2,189,577	1,708,706	1,061,601	8,898	469,023	695,188	841,415	859,939	3,278,117
Operating Expenses by Mode										
Motor Bus	16,519,155	17,410,873	18,262,737	19,150,089	19,724,596	21,015,855	22,563,209	22,931,561	23,835,073	24,745,731
Demand Response/Para-transit	4,425,076	4,568,425	4,976,669	5,351,413	5,504,496	5,962,707	6,335,206	6,913,575	7,205,399	7,355,626
Ferry Boat	182,925	0	435,411	617,831	644,397	651,823	683,485	683,493	701,725	1,138,646
Vanpool	69,857	78,084	44,489	54,966	49,647	74,109	77,709	77,710	79,783	82,036

Source: National Transit Database from the Issuer's Comprehensive Annual Financial Report for FYE December 31, 2012.
 *Projections provided by the Issuer.

Operating Expense Budget

TABLE 4

The following table summarizes the Authority's Fiscal Year 2013 actual and budgeted Operating Expenses by cost category and the Fiscal Year 2013 operating budget:

Expense Category	2012		2013		
	Adopted Budget	Estimated	Draft Budget	vs.	2012
	A	B	C	\$	% Increase/ (Decrease) B vs. C
Labor	\$8,412,729	\$8,450,530	\$8,881,989	\$431,459	5.10%
Fringe Benefits	1,657,919	1,673,049	1,746,657	73,608	4.40%
Total Labor and Fringe Benefits	10,070,648	10,123,579	10,628,646	505,067	
Services	1,856,710	1,710,849	1,727,581	16,732	1.00%
Materials and Supplies	4,812,112	4,836,078	4,518,780	(317,298)	-6.60%
Utilities	366,639	342,049	381,540	39,491	11.60%
Insurance	2,313,185	2,057,616	2,288,858	231,242	11.20%
Purchased Transportation	6,568,842	6,591,645	7,143,167	551,522	8.40%
Miscellaneous	400,547	344,002	385,960	41,958	12.20%
Lease and Rentals	67,957	65,879	67,586	1,707	2.60%
Total Non-Labor	16,385,992	15,948,118	16,513,472	565,354	
Total Operating Expenses	\$26,456,640	\$26,071,697	\$27,142,118	\$1,070,421	4.10%

Source: *The Issuer*.

Operating, Sales and Use Tax, and Grant Revenues

The Authority classifies operating revenues as all revenue earned from the operation of the various transportation services and those revenues generated by the capital assets owned by the Authority. Included in this category are fare revenue, revenue from the placement of advertisements on the bus and van fleet, operation of a park and rides, and miscellaneous revenue earned by the operation of various capital assets. In addition, the Authority accounts for its receipt of revenues from its imposition and collection of the Issuer's Sales Tax and from State and federal grants.

Statement of Revenues, Expenses and Changes in Net Position

TABLE 5

	Fiscal Year Ended December 31								
	2010	2011	2012	2013*	2014*	2015*	2016*	2017*	2018*
Operating Revenues:									
Passenger Service	\$1,537,772	\$1,660,782	\$1,706,528	\$1,876,000	\$1,934,803	\$2,096,364	\$2,236,404	\$2,356,871	\$3,322,656
Bus Advertising	30,000	40,000	71,004	49,000	70,000	72,345	74,769	77,273	79,862
Other Operating Revenues	58,525	112,881	73,706	71,350	73,500	75,962	78,507	81,137	83,855
Total Operating Revenues	\$1,626,297	\$1,813,663	\$1,851,238	\$1,996,350	\$2,078,303	\$2,244,671	\$2,389,680	\$2,515,281	\$3,486,373
Operating Expenses:									
Transportation	\$4,973,659	\$5,169,318	\$5,423,661	\$5,647,329	\$7,577,645	\$7,831,496	\$8,093,851	\$8,364,995	\$8,645,223
Customer Programs	358,206	317,752	216,369	212,986	369,432	381,808	394,599	407,818	421,479
Purchased Transportation	5,645,907	6,594,711	7,294,539	7,810,753	8,791,781	9,086,306	9,390,697	9,705,285	10,030,412
Planning & Service Development	196,715	350,661	550,325	242,124	356,851	368,806	381,160	393,929	407,126
MIS	249,656	248,423	331,765	328,986	468,990	484,701	500,939	517,720	535,064
Vehicle Maintenance	4,934,457	5,374,393	5,399,571	5,315,637	5,744,057	5,936,483	6,135,355	6,340,889	6,553,309
Facilities Maintenance	952,392	1,003,605	980,410	1,073,369	1,014,291	1,048,270	1,083,387	1,119,680	1,157,190
Materials Management	146,143	141,069	143,081	147,668	155,600	160,813	166,200	171,768	177,522
Administrative and General	4,514,495	4,313,482	4,591,389	4,670,981	4,836,677	5,923,463	4,998,706	5,166,162	5,339,229
Marketing and Communications	218,963	287,673	308,750	389,955	693,688	716,927	740,944	765,765	791,418
Customer Service Center Operations	0	0	0	0	0	425,000	878,475	890,203	920,024
Depreciation	5,203,248	5,878,720	5,523,334	5,840,000	5,930,000	6,368,706	6,591,611	6,822,317	7,061,098
Total Operating Expenses	\$27,393,841	\$29,679,807	\$30,763,194	\$31,679,788	\$35,939,012	\$38,732,777	\$39,355,923	\$40,666,532	\$42,039,094
Operating Loss	(25,767,544)	(27,866,144)	(28,911,956)	(29,683,438)	(33,860,709)	(36,488,106)	(36,966,243)	(38,151,251)	(38,552,721)
Non-Operating Revenues (Expenses):									
Sales and Use Tax Revenue	\$22,891,712	\$26,235,525	\$31,571,834	\$33,220,700	\$34,885,754	\$36,106,755	\$37,370,492	\$38,678,459	\$40,032,205
Lease Revenue						240,000	480,000	480,000	480,000
Federal and Other Grant Assistance	995,526	2,527,017	3,226,061	2,000,000	2,286,209	2,000,000	2,000,000	2,000,000	2,000,000
Investment Income	100,071	27,860	51,173	54,812	66,000	147,909	145,945	294,182	298,243
Gain on Disposition of Property	10,828	1,733	1,086	0	0	0	0	0	0
Federal Interest in Disposed Property	(2,816)	0	0	0	0	0	0	0	0
Distributions to Regional Entities	(1,325,648)	(1,918,020)	(2,154,150)	(2,593,634)	(2,770,903)	(3,032,876)	(3,132,027)	(3,234,648)	(3,340,860)
Net Income (Loss) Before Capital Grants and Donations	(3,097,871)	(992,029)	3,784,048	2,998,440	606,351	(1,026,318)	(101,833)	66,742	916,867
Capital Grants and Donations	3,106,602	5,247,029	5,792,677	9,594,058	2,555,316	7,647,072	9,255,567	9,459,331	5,759,288
Change in Net Position	8,731	4,255,000	9,576,725	12,592,498	3,161,667	6,620,754	9,153,734	9,526,073	6,676,155
Net Position, January 1	\$59,443,105	\$59,451,836	\$63,706,836	\$73,283,561	\$85,876,059	\$89,037,726	\$95,658,480	\$104,812,214	\$114,338,287
Net Position, December 31	\$59,451,836	\$63,706,836	\$73,283,561	\$85,876,059	\$89,037,726	\$95,658,480	\$104,812,214	\$114,338,287	\$121,014,442

*Projections provided by the Issuer.

Notes and Assumptions:

- 1) Passenger fares for Fixed Route were \$0.25 through 2017, with an increase budgeted to \$0.35 in 2018
- 2) B-Line fares were \$1.00 from 2014 through 2017, with an increase budgeted to \$1.40 in 2018
- 3) Sales tax growth from 2015 through 2018 is 1.035% (growth + inflation)
- 4) Street program from 2015 through 2018 calculations based on prior year sales tax amount X 1.089
- 5) Administrative and General includes a one time charge (\$2,375,000) to cover change in pension liability treatment (i.e. recognition of unfunded liability)
- 6) Assume the new Customer Service Center operations expenditures and lease revenues begin mid-year 2015
- 7) No costs, other than the Customer Service Center operations, have been included relating to the project to be funded with bonds
- 8) Growth factor used for operating revenues and operating expenses is 3.35%

Sales Tax Collection History

TABLE 6

<u>FYE December 31</u>	<u>2013</u>	<u>% Change</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
January	\$2,395,030	10.7%	\$2,164,316	\$1,603,597	\$1,707,787	\$1,731,089
February	2,464,001	10.7%	2,226,506	1,789,411	1,690,511	1,780,559
March	3,000,087	10.1%	2,724,073	2,473,035	1,936,991	2,027,122
April	2,462,052	9.8%	2,242,029	1,954,495	1,688,314	1,638,161
May	2,645,394	11.5%	2,373,521	1,990,917	1,803,150	1,634,741
June	2,906,916	5.0%	2,769,015	2,508,953	2,195,580	1,733,918
July	2,135,526	-16.1%	2,545,257	2,114,283	1,804,051	1,625,860
August	2,632,440	0.7%	2,615,213	2,343,583	1,769,527	1,567,976
September		N/A	2,605,068	2,500,035	2,080,698	1,720,734
October		N/A	2,465,748	1,755,397	1,772,941	1,583,354
November		N/A	2,944,798	2,192,807	1,865,505	1,542,919
December		N/A	3,896,289	3,009,013	2,576,657	2,235,142
Totals	\$20,641,446 *		\$31,571,833	\$26,235,526	\$22,891,712	\$20,821,575

Source: The Issuer's Financial Report ending July 2013.

Note: The last month of the current year is estimated until the amount becomes known.

***The Issuer projects that year end sales tax collections will be approximately \$33,220,700.**

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Year	Total Unlinked Trips	Passenger Revenues
2003	5,397,124	1,094,855
2004	5,570,887	1,088,331
2005	5,880,493	1,197,195
2006	5,536,958	1,380,241
2007	5,175,983	1,602,328
2008	5,491,376	1,707,930
2009	5,283,174	1,577,232
2010	5,434,286	1,537,772
2011	6,011,114	1,660,782
2012	6,065,174	1,706,528
2013*	6,150,000	1,876,000
2014*	6,231,500	1,932,280
2015*	6,418,445	1,990,248
2016*	6,553,232	2,236,404
2017*	6,703,956	2,356,871
2018*	6,918,482	3,322,656

Source: Issuer's Comprehensive Annual Financial Report for FYE December 31, 2012.

*Projections provided by the Issuer.

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Farebox Recovery Ratio**TABLE 8**

Definition: Ratio of passenger service revenues to transit operating costs, excluding depreciation.

Significance: Indicates how much of cost of service provision is supported by user fees.

2003	.....	6.79%
2004	.....	6.55%
2005	.....	6.58%
2006	.....	7.31%
2007	.....	7.88%
2008	.....	7.62%
2009	.....	7.41%
2010	.....	6.93%
2011	.....	6.98%
2012	.....	6.76%
2013*	.....	6.50%
2014*	.....	6.50%
2015*	.....	6.50%

Source: Issuer's Annual Financial Report for FYE December 31, 2012.

*Projections provided by the Issuer.

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TABLE 9

Net Position

	2009	2010	2011	2012	2013*	2014*	2015*	2016*	2017*	2018*
Invested in Capital Assets	37,044,364	35,551,031	35,534,213	43,439,575	53,253,194	55,808,510	63,455,582	72,711,149	82,170,480	87,929,768
Unrestricted	22,398,741	23,900,805	28,172,623	29,843,986	32,622,865	33,229,216	32,202,898	32,101,065	32,167,807	33,084,674
Total	59,443,105	59,451,836	63,706,836	73,283,561	85,876,059	89,037,726	95,658,480	104,812,214	114,338,287	121,014,442

Source: Issuer's Comprehensive Annual Financial Report for FYE December 31, 2012.

*Projections provided by the Issuer.

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APPENDIX C

General Information Regarding the Corpus Christi Regional Transportation Authority, City of Corpus Christi and Nueces County

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CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY AND NUECES COUNTY, TEXAS

Location:

The Authority was created in 1985 by majority vote of the taxpayers in Nueces County and San Patricio County and commenced operations on January 1, 1986. Located in Corpus Christi, Texas (the "City") on the coast of the Gulf of Mexico, the Authority is a regional provider of mass transportation services, primarily within Nueces County and also part of San Patricio County. Nueces County includes the cities of Agua Dulce, Bishop, Corpus Christi, Driscoll, Port Aransas, Robstown, and unincorporated areas. San Patricio County coverage includes the cities of Gregory and San Patricio. The total area is 838 square miles and the 2010 population was 342,412.

Services and Service Delivery:

Either directly or through contractors, the Authority provides virtually all public transportation services in this area. These services include fixed route, para-transit, vanpool, specialized services, and ferryboat transportation. The Authority maintains 1,351 bus stops and shelters, four transfer stations, three park and ride lots and a fleet of 76 motorbus coaches and 38 smaller revenue vehicles. Certain commuter, para-transit and ferry services are provided through contractors specializing in these services. See Table 10 in Appendix B for delivery statistics for the past ten years.

Officials:

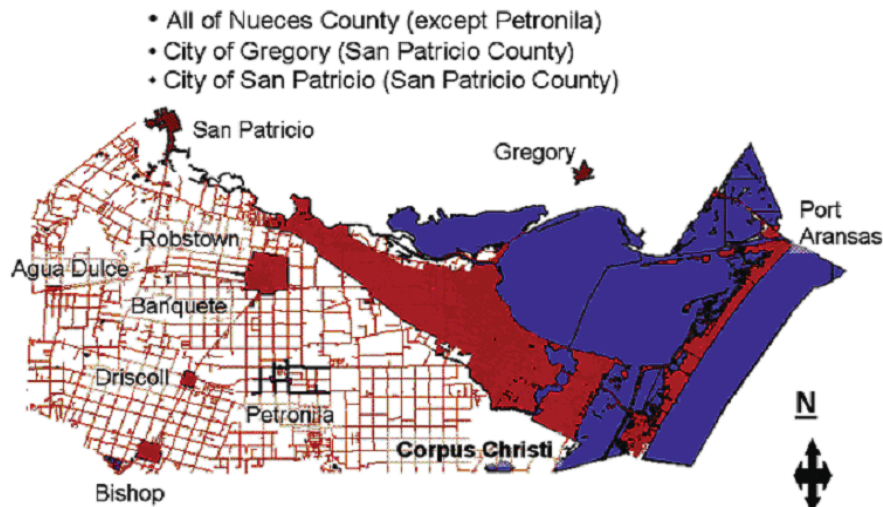
An eleven-member Board of Directors (the "Board") governs the Authority. The City, Nueces County and the Committee of Small City Mayors appoint members of the Board, excluding the Chair. The Board makes decisions, designates management, significantly influences operations and maintains primary fiscal accountability. The Board establishes policy and sets direction for the Authority. The Board is made up of a chair and ten members. Five members are appointed by the City, three members are appointed by the Nueces County Commissioners and two members are appointed by participating small cities. The Chair is appointed by the sitting Board members. The Board members serve staggered two-year terms and serve a maximum of eight years.

Executives:

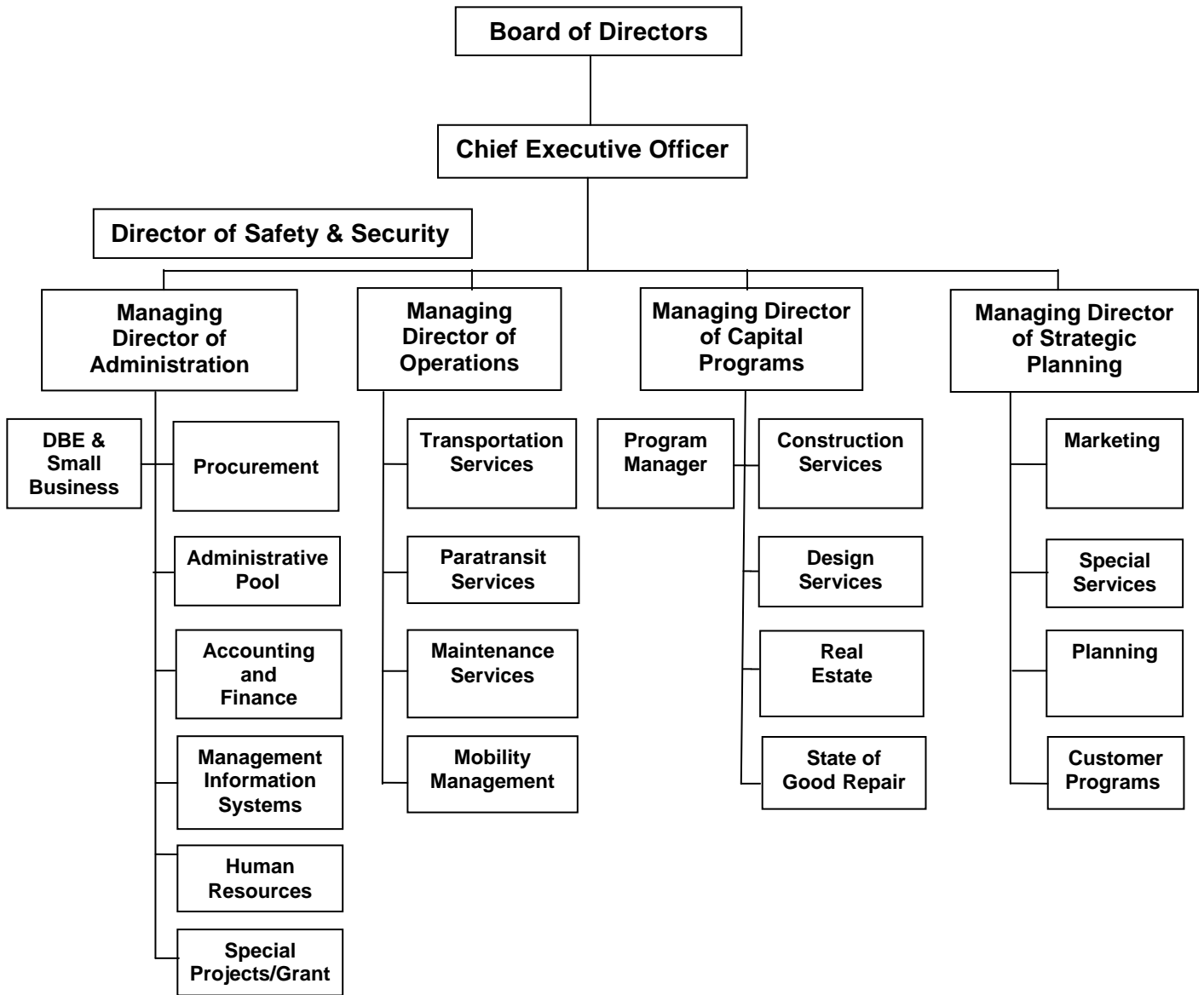
A Chief Executive Officer (the "CEO") is responsible for the daily operations of the Authority. The CEO supervises four major divisions including Administration, Capital Programs, Strategic Planning and Operations. These broad divisions are organized into numerous departments for operational efficiency. The Authority has more than 200 employees in addition to approximately 100 staff employed by various contractors.

Local Economy:

The regional economy is diversified and includes naval air training, shipping, fishing, tourism, petrochemical refining, construction, agriculture, health care, government services and higher education. The region has a varied base that adds to the relative stability of employment. The estimated unemployment rate in Nueces County was 6.2% in 2012 compared to 6.1% in 2002. Per capita income rose from \$25,941 in 2002 to an estimated \$40,174 in 2012. The Authority's ability to fund its operations is heavily dependent on a ½-cent sales and use tax generated from its regional economy. Sales tax revenues have grown at an annual average of 7.9% over the past ten years compared to average growth in operating expenses, including depreciation, of 4.7% over the same period. The Authority continues to operate with its original transit tax rate of .5%. The current overall sales and use tax rate for the Corpus Christi area is 8.25%, which is the maximum allowed by current law. Drilling activity in the Eagle Ford Shale was responsible for much of the increase in sales tax revenue over the past two years. In 2012, fuel prices for both diesel and unleaded fuel reached record highs. Over the past ten years diesel prices have increased by 355% while the price of unleaded gasoline has increased by 280%. Higher fuel prices at the pump tend to encourage higher utilization of public transportation by citizens. However, these same rising costs also dramatically impact the Authority's ability to afford fuel needed to provide services. Rising fuel costs also impact the cost of maintenance materials for the Authority's fleet and energy prices associated with the Authority's customer amenities. In response to these high costs the Authority is in the process of converting its fleet to CNG.



ORGANZATIONAL CHART



Source: Corpus Christi Regional Transportation Authority Comprehensive Annual Financial Report dated December 31, 2012.

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THE CITY OF CORPUS CHRISTI AND NUECES AND SAN PATRICIO COUNTIES

City of Corpus Christi, Texas

The City is the county seat of Nueces County, Texas and a trade center and shipping point located on the Gulf Coast. The City's 2013 estimated population is 312,065. The City's location is one of the most strategic in the Southwest, with deep water transportation to the Gulf and barge traffic by the Intra-coastal Waterway. Other manufacturers produce oil rigs, frozen fish, bottled water and pressure valves. The City is a popular convention center. The National Seashore Recreational Area on Padre Island has an 88 mile shoreline which attracts many tourists each season. Texas State Aquarium, a \$45 million facility, features marine life in the Gulf. The U.S.S. Lexington Museum on the Bay opened in October, 1992. Spain selected the City as the new home for the Columbus Ship replicas, Las Carabelas.

Museums & Attractions: American Bank Center
 Art Museum of South Texas
 Texas State Aquarium
 Richardson Performance Hall
 Corpus Christi Performing Arts Center
 Asian Cultures Museum and Education Center
 Ortiz International Center
 Corpus Christi Arts Center
 Corpus Christi Museum of Science and History

Colleges and Universities: Texas A&M University - Corpus Christi and Del Mar College.

<u>Year</u>	<u>Fall Enrollment</u>
2011	22,186
2010	22,446
2009	21,748
2008	20,269

Source: Texas Municipal Reports, published by the Municipal Advisory Council of Texas. Any data on population, value added by manufacturing or production of agricultural products or minerals are from US Census or other official sources.

Corpus Christi International Airport. Located 8 miles from Downtown Corpus Christi.

- Carriers: American Eagle, Continental Express, Southwest
- Total Flights Inbound/Outbound: 42
- Air Freight Services: Southwest Airlines Cargo, Signature Flight Support, and DHL Express
- Two full service Fixed Base Operators: Atlantic Air Center & Signature Flight Support

Rail Service. Three Class I railroads: Burlington Northern Santa Fe, Union Pacific and Kansas City Southern.

Major 2 or 4 Lane Highways. Interstate 37; US Highway 181 & 77; and State 44, 358, 286, 357, 443 & 35.

Building Permits Issued:	July YTD 2013	July YTD 2012	2012	2011	2010
New Residential Permits	661	537	951	659	657
New Residential Valuation	\$132,111,576	\$94,969,721	\$178,097,897	\$118,003,701	\$98,637,278
New Commercial Permits	143	112	198	214	190
New Commercial Valuation	\$73,314,396	\$78,518,081	\$155,968,117	\$172,797,903	\$118,984,064

Source: City of Corpus Christi, and <http://www.cctexas.com/Assets/Departments/Development-Services/Files/permit-reports> and <http://www.ccredc.com/economicTrends/pdfs>.

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Major Employers – Corpus Christi MSA

<u>Business</u>	<u>Type of Product – Service</u>	<u>Civilian Employment</u>
Corpus Christi Army Depot	Helicopter Repair	5,800
Corpus Christi ISD	School District	5,178
CHRISTUS Spohn Health Systems	Hospital	5,144
H.E.B.	Grocery Company	5,000
City of Corpus Christi	City Government	3,171
Corpus Christi Naval Air Station	Flight Training	2,822
Bay, Ltd.	Industrial Construction	2,100
Driscoll Children's Hospital	Children's Hospital	1,800
Del Mar College	Junior College	1,542
Corpus Christi Medical Center	Hospital	1,300
Nueces County	County Government	1,034
Texas A&M University Corpus Christi	Four-year University	991
Flint Hills Resources	Crude Oil Refining	920
Kiewit Offshore Services	Offshore Rig Manufacturer	900
Corpus Christi State School	Special-Needs Residential Facility	850
Valero Refining	Crude Oil Refining	824
Sherwin Alumina	Alumina	800
Sam Kane Beef Processors	Beef Packing & Processing	800
Flour Bluff ISD	School District	750
Calallen ISD	School District	700

Employment by Industry – Corpus Christi MSA

<u>Industry</u>	<u>Employment</u>
Total Nonagricultural	187,500
Trade, Transportation and Utilities	35,600
Government	33,300
Educational and Health Services	33,200
Leisure and Hospitality	22,000
Mining, Logging, & Construction	21,900
Professional and Business Services	15,400
Manufacturing	9,600
Financial Activities	7,400
Other Services	7,200
Information	1,900

Source: Texas Workforce Commission and the Corpus Christi Regional Economic Development Corporation.

Port of Corpus Christi

- 150 miles from U.S./Mexico border
- 45' channel depth
- 24,019-acre Foreign Trade Zone, the largest in the U.S.
- 125+ acres of open storage and fabrication sites
- Heavy lift capabilities
- Dockside rail from multiple carriers
- Excellent highway access
- 295,500+ sq. ft. of covered dockside storage

2012	POCC Ship and Barge Activity	Tonnage Figures: (short tons)	Top 10 Commodities	
			<u>Inbound</u>	<u>Outbound</u>
	Dry Cargo: 372	Break Bulk: 390,967	1. Crude Oil	1. Gasoline
	Tankers: 948	Grain: 2,578,847	2. Fuel Oil	2. Diesel
	Barges: 4,762	Chemical: 1,966,012	3. Bauxite	3. Feed Stock
	Total: 6,082	Dry Bulk: 7,939,684	4. Gas Oil	4. Wheat
		Liquid Bulk: 554,336	5. Feed Stock	5. Gas Oil
		Petroleum: 65,367,343	6. Naphtha	6. Fuel Oil
		Total: 78,806,189	7. Aggregate	7. Alumina
			8. Benzene	8. Cumene
			9. Condensate	9. Sourghum
			10. Barite	10. Caustic Soda

Source: Port of Corpus Christi.

NUECES COUNTY, TEXAS

Nueces County, Texas ("Nueces County") was created and organized in 1846 from San Patricio County. Nueces County was the state's 4th largest producer of sorghum in 2006. Tourists are attracted by the mild winter climates. Nueces County is the second largest port in the state and the fifth largest port in the nation. The County's 2012 population was 340,223.

County seat: Corpus Christi.

Economic Base: Mineral: sand, oil, gravel and gas.

Industry: Tourism, petroleum, military bases, manufacturing, coastal shipping and agriculture.

Agricultural: Sunflowers, hay, grain sorghum, cotton, corn, canola and beef cattle.

Ports:	Year	Description	Volume	Parks:	Year	Description	Visitors
	2007	Corpus Christi Ship Channel	81,072,509 Tonnage		2010	Mustang Island	123,926
	2008	Corpus Christi Ship Channel	76,786,173 Tonnage		2011	Mustang Island	95,335
	2009	Corpus Christi Ship Channel	68,239,968 Tonnage		2012	Mustang Island	145,711
	2010	Corpus Christi Ship Channel	73,663,432 Tonnage				

Retail Sales & Effective Buying Income*:	Year	2012	2011	2010
	Retail Sales	\$5.4B	\$5.4B	\$4.6B
	Effective Buying Income (EBI)	\$5.9B	\$5.5B	\$5.7B
	County Median Household Income	\$35,529	\$35,653	\$37,876
	State Median Household Income	\$47,613	\$47,705	\$49,723
	% of Households with EBI below \$25K	16.22%	16.1%	16.0%
	% of Households with EBI above \$25K	60.22%	61.2%	62.0%

Employment Data:	2013		2012		2011	
	Employed	Earnings	Employed	Earnings	Employed	Earnings
1st Quarter:	157,958	\$1.7B	152,748	\$1.6B	151,231	\$1.5B
2nd Quarter:	N/A	N/A	156,638	\$1.6B	154,541	\$1.5B
3rd Quarter:	N/A	N/A	155,774	\$1.6B	153,391	\$1.6B
4th Quarter:	N/A	N/A	157,992	\$1.8B	155,505	\$1.7B

Source: Texas Municipal Reports, published by the Municipal Advisory Council of Texas. Any data on population, value added by manufacturing or production of agricultural products or minerals are from US Census or other official sources

Labor Force Statistics*	<u>Aug. 2013</u>	<u>July 2013</u>	<u>Aug. 2012</u>	<u>Monthly Change</u>	<u>Year Ago Change</u>
% Unemployment (U.S.)	7.3	7.7	8.2	-0.4	-0.9
% Unemployment (Texas)	6.3	6.7	6.9	-0.4	-0.6
% Unemployment (Nueces County)	5.6	6.0	6.3	-0.4	-0.7

*Amended format: Texas Labor Market Review

Labor Force Statistics	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Civilian Labor Force	N/A	175,909	170,912	164,799	159,453
Total Employed	N/A	164,239	157,372	152,730	150,947
Unemployed	N/A	11,670	13,540	120,069	8,506
% Unemployment (U.S.)	7.6	8.3	9.1	9.7	7.1
% Unemployment (Texas)	6.0	7.2	8.0	8.0	5.7
% Unemployment (Nueces County)	5.4	6.6	7.9	7.3	5.3

Source: Texas Labor Market Review.

Employment and Wages by Industry for Nueces County

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Natural Resources and Mining	6,140	5,386	4,303	3,636	4,777
Construction	12,619	11,785	11,287	11,973	14,099
Manufacturing	7,834	7,982	7,783	7,970	8,866
Trade, Transportation & Utilities	28,907	28,066	27,280	27,277	28,650
Information	1,823	1,849	1,895	2,060	2,229
Financial Activities	6,822	6,606	6,268	6,520	7,287
Professional & Business Services	13,830	13,380	14,247	13,995	15,405
Education & Health Services	27,537	28,339	27,558	27,076	24,203
Leisure & Hospitality	19,174	17,913	17,055	16,993	18,065
Other Services	5,106	4,733	4,640	4,590	4,905
Unclassified	29	12	3	56	55
Federal Government	6,638	6,653	6,596	6,437	6,384
State Government	5,189	5,245	5,597	5,484	4,643
Local Government	<u>16,376</u>	<u>16,290</u>	<u>17,470</u>	<u>17,378</u>	<u>15,346</u>
Total Employment	158,025	154,238	151,986	151,477	154,914
Total Wages	\$1,818,887,160	\$1,686,849,604	\$1,632,658,853	\$1,557,263,611	\$1,465,471,565

Source: Texas Quarterly Census of Employment & Wages.

SAN PATRICIO COUNTY, TEXAS

San Patricio County was created in 1836 and reorganized in 1847.

County seat: Sinton.

Economic Base: Mineral: Oil, gravel, gas and caliche.

Industry: Tourism, petrochemicals, oil, manufacturing and agribusiness.

Agricultural: Grain sorghum, cotton, corn and beef cattle.

Ports:	<u>Year</u>	<u>Description</u>	<u>Volume</u>	Parks:	<u>Year</u>	<u>Description</u>	<u>Volume</u>
	2007	Port of Corpus Christi	81,072,509 Tonnage		2010	Lake Corpus Christi State Park	123,912 Visitors
	2008	Port of Corpus Christi	76,786,173 Tonnage				

Civil/ Military Personnel:	<u>Year</u>	<u>Description</u>	<u>Volume</u>	<u>Year</u>	<u>Description</u>	<u>Volume</u>
	2008	The Corpus Christi Naval Air Station	5,577 Members	2008	The Naval Station Ingleside	2,620 Members
	2009	The Corpus Christi Naval Air Station	5,439 Members	2009	The Naval Station Ingleside	2,079 Members

Retail Sales & Effective Buying Income*:	<u>Year</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
	Retail Sales	\$741.5M	\$741.5M	\$623.8M
	Effective Buying Income (EBI)	\$1.1B	\$1.18	\$1.2B
	County Median Household Income	\$36,914	\$36,627	\$37,991
	State Median Household Income	\$47,613	\$47,705	\$49,723
	% of Households with EBI below \$25K	15.3%	15.4%	15.7%
	% of Households with EBI above \$25K	62.2%	62.9%	63.0%

Employment Data:	<u>2012</u>		<u>2011</u>		<u>2010</u>	
	<u>Employed</u>	<u>Earnings</u>	<u>Employed</u>	<u>Earnings</u>	<u>Employed</u>	<u>Earnings</u>
1st Quarter:	18,613	\$200.5M	16,875	\$168.4M	17,097	\$162.9M
2nd Quarter:	19,215	\$197.5M	17,418	\$171.3M	17,113	\$161.2M
3rd Quarter:	N/A	N/A	18,129	\$189.9M	17,073	\$166.5M
4th Quarter:	N/A	N/A	18,653	\$197.3M	17,325	\$180.5M

Source: Texas Municipal Reports, published by the Municipal Advisory Council of Texas. Any data on population, value added by manufacturing or production of agricultural products or minerals are from US Census or other official sources

Labor Force Statistics for San Patricio County*

	<u>Aug. 2013</u>	<u>July 2013</u>	<u>Aug. 2012</u>	<u>Monthly</u>	<u>Year Ago</u>
% Unemployment (U.S.)	7.3	7.7	8.2	-0.4	-0.9
% Unemployment (Texas)	6.3	6.7	6.9	-0.4	-0.6
% Unemployment (San Patricio County)	7.4	7.9	7.5	-0.5	-0.1

Source: Texas Labor Market Review.

**Amended format: Texas Labor Market Review*

Labor Force Statistics for San Patricio County (December)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Civilian Labor Force	N/A	32,374	31,981	31,210	29,887
Total Employed	N/A	29,785	28,700	27,984	28,034
Unemployed	N/A	2,589	3,281	3,226	1,853
% Unemployment (U.S.)	7.6	7.2	9.1	9.7	7.1
% Unemployment (Texas)	6.0	7.8	8.0	8.0	5.7
% Unemployment (San Patricio County)	7.1	8.0	10.3	10.3	6.2

Source: Texas Labor Market Review.

Employment and Wages by Industry for San Patricio County (4th Quarter)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Natural Resources and Mining	1,244	1,095	988	744	884
Construction	3,191	4,063	3,035	3,166	2,794
Manufacturing	2,022	1,797	1,514	1,540	1,898
Trade, Transportation & Utilities	2,852	2,598	2,656	2,455	2,671
Information	168	142	143	149	145
Financial Activities	448	450	473	495	527
Professional & Business Services	1,176	945	891	1,074	1,167
Education & Health Services	1,424	1,371	1,367	1,297	1,290
Leisure & Hospitality	2,125	1,943	1,805	1,889	1,971
Other Services	275	280	290	307	337
Unclassified	5	12	0	5	9
Federal Government	94	103	104	197	313
State Government	171	164	168	169	161
Local Government	<u>3,711</u>	<u>3,691</u>	<u>3,881</u>	<u>3,945</u>	<u>3,865</u>
Total Employment	18,905	18,654	17,320	17,431	18,032
Total Wages	\$199,833,147	\$197,349,723	\$180,421,389	\$176,165,693	\$181,293,689

Source: Texas Quarterly Census of Employment & Wages.

APPENDIX D

Forms of Opinions of Bond Counsel

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M^cCALL, PARKHURST & HORTON L.L.P.

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Draft: November 25, 2013
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AUSTIN, TEXAS 78701-3248
TELEPHONE: 512 478-3805
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December __, 2013

**CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
SYSTEM REVENUE BONDS, SERIES 2013 (AMT)
DATED NOVEMBER 15, 2013
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$11,525,000**

AS BOND COUNSEL TO THE CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY (the "***Issuer***"), the issuer of the Bonds described above (the "***Bonds***"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds until maturity or prior redemption at the rates, and payable on the dates, as stated in the text of the Bonds, and which are subject to redemption prior to maturity, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas and a transcript of certified proceedings of the Issuer relating to the issuance of the Bonds, including (i) the resolution (the "***Resolution***") of the Issuer authorizing the issuance of the Bonds adopted by the Board of Directors of the Issuer on November 20, 2013; (ii) the Issuer's Federal Tax Certificate of even date herewith, and (iii) other pertinent instruments authorizing and relating to the issuance of the Bonds, including one of the executed Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized, issued and delivered in accordance with law; that the Bonds constitute valid and legally binding special revenue obligations of the Issuer in accordance with their terms (except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally); and that the Bonds, together with any "Additional Parity Obligations" (as such term is defined in the Resolution), are equally and ratably secured by and payable from an irrevocable first lien on and pledge of the "Pledged Revenues" (as such term is defined in the Resolution). The owners of the Bonds shall never have the right to demand payment of money raised or to be raised by taxation, or from any source whatsoever other than the Pledged Revenues.

THE ISSUER HAS RESERVED THE RIGHT, subject to the requirements stated in the Resolution, to issue Additional Parity Obligations which also may be secured by and made payable from a first lien on and pledge of the aforesaid Pledged Revenues on a parity with the Bonds and all other Parity Obligations then outstanding.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. The exceptions are as follows:

(1) interest on the Bonds will be includable in the gross income of the holder during any period that the Bonds are held by either a "substantial user" of the facilities financed with the proceeds of the Bonds or a "related person" of such user, as provided in section 147(a) of the Internal Revenue Code of 1986 (the "Code"); and

(2) interest on the Bonds will be included as an item of tax preference in determining the alternative minimum taxable income of the owner under section 57(a)(5) of the Code.

IN EXPRESSING THE AFOREMENTIONED OPINIONS as to the exclusion of interest from federal income taxes, we have relied on certain representations, the accuracy of which we have not independently verified, and we have assumed compliance with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property refinanced therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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

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

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of a result and are not binding on the Internal Revenue Service (the "**Service**"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds, and we have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the historical and projected Pledged Revenues. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

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M^cCALL, PARKHURST & HORTON L.L.P.

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December __, 2013

**CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
SYSTEM REVENUE BONDS, TAXABLE SERIES 2013
DATED NOVEMBER 15, 2013
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$10,500,000**

AS BOND COUNSEL TO THE CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY (the "***Issuer***"), the issuer of the Bonds described above (the "***Bonds***"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds until maturity or prior redemption at the rates, and payable on the dates, as stated in the text of the Bonds, and which are subject to redemption prior to maturity, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas and a transcript of certified proceedings of the Issuer relating to the issuance of the Bonds, including (i) the resolution (the "***Resolution***") of the Issuer authorizing the issuance of the Bonds adopted by the Board of Directors of the Issuer on November 20, 2013; and (ii) other pertinent instruments authorizing and relating to the issuance of the Bonds, including one of the executed Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized, issued and delivered in accordance with law; that the Bonds constitute valid and legally binding special revenue obligations of the Issuer in accordance with their terms (except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally); and that the Bonds, together with any "Additional Parity Obligations" (as such term is defined in the Resolution), are equally and ratably secured by and payable from an irrevocable first lien on and pledge of the "Pledged Revenues" (as such term is defined in the Resolution). The owners of the Bonds shall never have the right to demand payment of money raised or to be raised by taxation, or from any source whatsoever other than the Pledged Revenues.

THE ISSUER HAS RESERVED THE RIGHT, subject to the requirements stated in the Resolution, to issue Additional Parity Obligations which also may be secured by and made payable from a first lien on and pledge of the aforesaid Pledged Revenues on a parity with the Bonds and all other Parity Obligations then outstanding.

IT IS FURTHER OUR OPINION, that the Bonds are not obligations described in section 103(a) of the Internal Revenue Code of 1986, as amended, and, therefore, interest on the Bonds is includable in gross income for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds, and we have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the historical and projected Pledged Revenues. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective.

Respectfully,

APPENDIX E

Excerpts from the Issuer's Audited Financial Statements for the Year Ended December 31, 2012

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CORPUS CHRISTI REGIONAL
TRANSPORTATION AUTHORITY

**Corpus Christi Regional Transportation Authority
Corpus Christi, Texas**



**Comprehensive Annual Financial Report
For the Year Ended December 31, 2012**

**Corpus Christi Regional Transportation
Authority
Corpus Christi, Texas**

**Comprehensive Annual Financial Report
For the Year Ended December 31, 2012**

Mission Statement

The Regional Transportation Authority was created by the people to provide quality transportation in a responsible manner consistent with its financial resources and the diverse needs of the people. Secondly, the Authority will also act responsibly to enhance the regional economy.

Prepared by the Finance Department



2012
Introductory Section

Comprehensive Annual Financial Report



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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CORPUS CHRISTI REGIONAL
TRANSPORTATION AUTHORITY

5658 Bear Lane

Corpus Christi, Texas 78405

(361) 289-2712

June 5, 2013

John Valls, Board Chair
and Members of the Board of Directors of the
Corpus Christi Regional Transportation Authority

Dear Board Chair, Board Members, and Citizens:

Management is pleased to submit to you this Comprehensive Annual Financial Report (CAFR) of the Corpus Christi Regional Transportation Authority (Authority) for its fiscal year ended December 31, 2012. This CAFR is indicative of Authority management's continued commitment to provide high quality, complete, concise and reliable financial information about the Authority.

Management assumes full responsibility for the completeness and reliability of this information based on a comprehensive framework of internal controls established for this purpose. Because the cost of internal controls should not outweigh the benefits, the Authority's system of controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

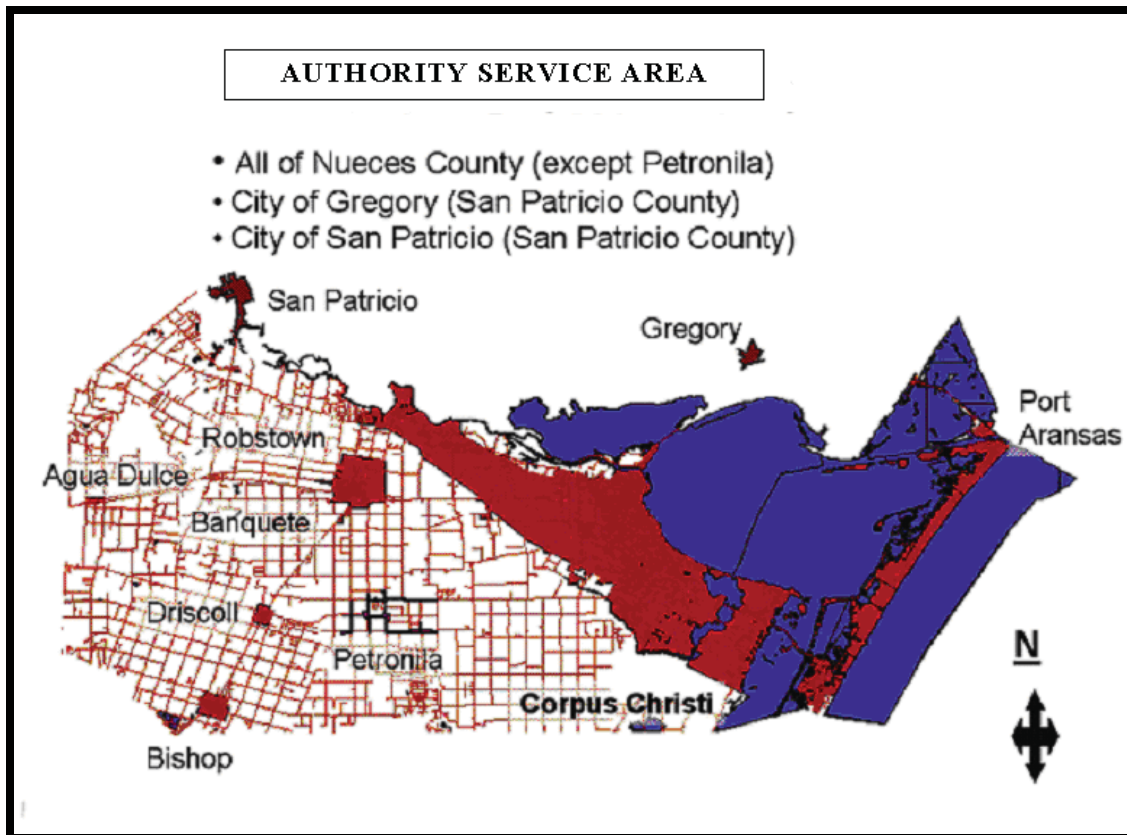
Pursuant to Section 451.451, Subchapter J, of the Texas Transportation Code, the financial statements and required supplementary information contained herein are required to be independently audited. The Authority is also required by federal regulations to undergo an audit related to its federal grants. The independent firm of Collier, Johnson & Woods, P.C., Certified Public Accountants, has issued an unqualified (clean) opinion on the Authority's financial statements and related information. Their opinion letters are presented first in the Financial and Single Audit sections of this CAFR.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE AUTHORITY

The Authority was created in 1985 by majority vote of the taxpayers and commenced operations on January 1, 1986. Note 1 in the Financial Section provides more details about the Authority as a legal entity.

Located in Corpus Christi, Texas on the coast of the Gulf of Mexico, the Authority is a *regional* provider of mass transportation services, primarily within Nueces County and also part of San Patricio County. Nueces County includes the cities of Agua Dulce, Bishop, Corpus Christi, Driscoll, Port Aransas, Robstown, and unincorporated areas. San Patricio County coverage includes the cities of Gregory and San Patricio. The total area is 838 square miles and has a population of 342,412 according to the 2010 Census. A schematic of the Authority's service area is presented below.



Services and Service Delivery

Either directly or through contractors, the Authority provides virtually all public transportation services in this area. These services include fixed route, para-transit, vanpool, specialized services, and ferryboat transportation. The Authority maintains 1,351 bus stops and shelters, four transfer stations, three park and ride lots and a fleet of 76 motorbus coaches and 38 smaller revenue vehicles. Certain commuter, para-transit and ferry services are provided through contractors specializing in these services. Table 10 in the Statistical Section contains service delivery statistics for the past ten years.

Officials

An eleven-member Board of Directors (Board) governs the Authority. The City of Corpus Christi, Nueces County and Committee of Small City Mayors appoint members of the Board, excluding the Chair. The Board makes decisions, designates management, significantly influences operations and maintains primary fiscal accountability.

The Board establishes policy and sets direction for the Authority. The Board is made up of a chair and ten members. Five members are appointed by the City of Corpus Christi, three members are appointed by the Nueces County Commissioners and two members are appointed by participating small cities. The Chair is appointed by the sitting Board members. The Board members serve overlapping two-year terms. A listing of Authority Board members is included on page ix.

Executives

A Chief Executive Officer (CEO) is responsible for the daily operations of the Authority. The CEO supervises four major divisions including Administration, Capital Programs, Strategic Planning and Operations. These broad divisions are organized into numerous departments for operational efficiency. The Authority has more than 200 employees in addition to about 100 staff employed by various contractors. An organizational chart is shown on page x.

Budget

The Board is required to adopt an annual operating budget before the beginning of each fiscal year. The budget serves as a policy document, an operations guide, a financial plan and a communication device. The process for developing the Authority's budgets typically begins with Board strategic planning in June or July and, through a series of meetings and analysis, results in an operating budget and a prioritized capital budget. The Authority may not spend more than the approved operating budget. The Board must approve increases to the budget. The CEO may permit movement of funds within the approved budget. If these reallocations are significant, Board approval is obtained.

LOCAL ECONOMY

The regional economy is diversified and includes naval air training, shipping, fishing, tourism, petrochemical refining, construction, agriculture, health care, government services and higher education. The region has a varied base that adds to the relative stability of employment. The estimated unemployment rate in Nueces County was 6.2% in 2012 compared to 6.1% in 2002. Per capita income rose from \$25,941 in 2002 to an estimated \$40,174 in 2012.

The Authority's ability to fund its operations is heavily dependent on a ½-cent sales and use tax generated from its regional economy. Sales tax revenues have grown at an annual average of 7.9% over the past ten years compared to average growth in operating expenses, including depreciation, of 4.7% over the same period. The Authority continues to operate with its original transit tax rate of .5%. The current overall sales and use tax rate for the Corpus Christi area is 8.25%, which is the maximum allowed by current law. Drilling activity in the Eagle Ford Shale was responsible for much of the increase in sales tax revenue over the past two years.

In 2012, fuel prices for both diesel and unleaded fuel reached record highs. Over the past ten years diesels prices have increased by 355% while the price of unleaded gasoline has increased by 280%. Higher fuel prices at the pump tend to encourage higher utilization of public transportation by citizens. However, these same rising costs also dramatically impact the Authority's ability to afford fuel needed to provide services. Rising fuel costs also impact the cost of maintenance materials for the Authority's fleet and energy prices associated with the Authority's customer amenities. In response to these high costs the Authority is in the process of converting its fleet to CNG.

Consistent with its mission statement, the Authority remains steadfast in its commitment to provide excellent public transportation to its riders while responsibly managing resources.

Long-Range Financial Planning

Due to the significant capital investment in buses and bus facilities used for service delivery and the operating cost growth challenges experienced by transit systems across the country, the Authority maintains 20-year long-term financial projections. A primary goal of long term planning is to ensure that adequate resources are maintained for the replacement of capital assets and system expansion. Financial projections are maintained and updated when significant events occur that warrant changes to the underlying assumptions. In 2012 the Authority's long range financial plan was updated as part of a long range system plan update.

In 2012, the Authority completed the first phase of the conversion to CNG with the construction of a CNG fueling station, related modifications to the existing maintenance



plant and the purchase of ten CNG powered motor buses. The Authority anticipates replacing at least twenty para-transit vehicles and seven non-revenue vehicles with CNG powered vehicles in 2013.

Other major capital projects completed in 2012 included \$2.6 million in bus stop improvements including those that increased accessibility to transit stops in accordance with ADA guidelines, replacement of three para-transit vehicles, and continued upgrades to information technology including a new telephone system. In 2013, the Authority expects to complete another phase in the ADA bus stop accessibility plan and additional improvements to the management information system. Planned future projects include a new customer service center in downtown Corpus Christi. Purchases of land for the project were completed in 2012 and construction and financing options are currently under review.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report for the fiscal year ended December 31, 2011. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We express appreciation to the staff of the Finance Department for the significant investment of time and effort needed to prepare this report. Thank you to executive management for their various contributions to the information contained in this report. We also express deep appreciation for the innumerable efforts of our bus operators, street supervisors, dispatchers, trainers, security, safety personnel, mechanics, fleet service workers and facility maintenance staff who are directly involved with the daily provision of service to our customers.

Scott Neeley
Chief Executive Officer

Susan Vinson, CPA, MSM
Director of Finance



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Corpus Christi Regional
Transportation Authority

Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morrell

President

Jeffrey R. Egan

Executive Director



BOARD OF DIRECTORS AND ADMINISTRATION

BOARD OF DIRECTORS

Board Chair	John Valls
Board Vice-Chair	Vangie Chapa
Board Secretary	Angie Flores Granado
Members	George Clower Thomas Dreyer Tony Elizondo Robert Garcia Gil Hernandez Ray Hunt Mary Saenz Lamont Taylor
Advisory Board Member	Crystal Lyons

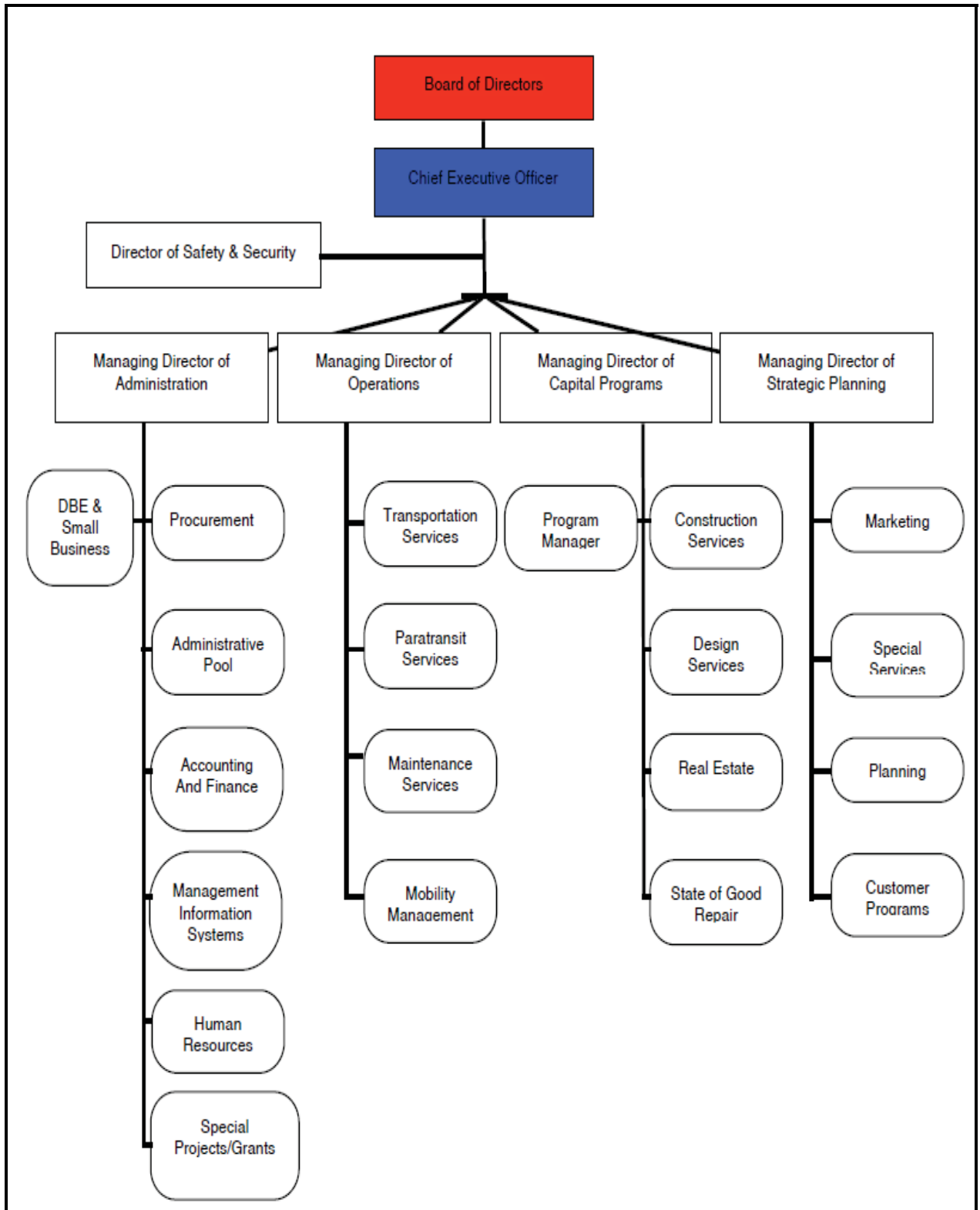
ADMINISTRATION

Chief Executive Officer	Scott Neeley
Managing Director of Administration	Jorge Cruz-Aedo
Managing Director of Capital Programs	Sharon Montez
Managing Director of Operations	Rosa Villarreal
Managing Director of Strategic Planning	Carl Weckenmann
Director of Transportation	Robert Saldana
Director of Finance	Susan Vinson
Director of Maintenance	Jose Tovar
Director of Special Services	Terry Klinger
Director of Marketing	Jane Haas
Acting Director of Procurements	William Laridis



Corpus Christi Regional Transportation Authority
Fiscal 2012 Comprehensive Annual Financial Report
Introductory Section | Organizational Chart

CORPUS CHRISTI REGIONAL
TRANSPORTATION AUTHORITY



2012
Financial Section

Comprehensive Annual Financial Report



INDEPENDENT AUDITOR'S REPORT

May 29, 2013

Board of Directors of the
Corpus Christi Regional Transportation Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Corpus Christi Regional Transportation Authority as of for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corpus Christi Regional Transportation Authority as of December 31, 2012 and 2011, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 18 and other required supplementary information on page 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corpus Christi Regional Transportation Authority's basic financial statements. The introductory section, supplemental schedules, and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal financial awards, pages 77 and 78, is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financial statements.

The supplemental schedules and the schedule of expenditures of federal financial awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules and the schedule of expenditures of federal financial awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2013 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Collie, Johnson & Woods



MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Corpus Christi Regional Transportation Authority (Authority) offers to readers of its financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended December 31, 2012 and 2011. We encourage readers to consider this information as part of a greater whole and read it in conjunction with the information provided in our transmittal letter in the introductory section and all other information presented in the notes to the financial statements and other sections.

FINANCIAL HIGHLIGHTS

- The Authority's net position at December 31, 2012 was \$73,283,561. Of this amount, \$29,843,986 (40.7%) may be used to meet the Authority's ongoing obligations to citizens and creditors in accordance with its mission statement.
- The Authority's net position increased by \$9,576,725 (15.0%) during 2012 as a result of net income of \$3,784,048 and capital grants and donations of \$5,792,677.
- As of December 31, 2012, the Authority had long term obligations of \$607,514, composed of \$531,047 of other post employment benefits and \$76,467 in accrued compensated absences.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion serves to introduce the Authority's basic financial statements. These statements have two components: (1) government-wide financial statements and (2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. The Authority is structured as a stand-alone proprietary fund and presents its financial information using the accrual basis of accounting similar to the way private sector businesses present their financial information. Revenues are recognized in the financial statements when both earned and measurable, not when actually received in cash. Expenses are recognized when they are incurred, not when they are paid. The historical costs of capital assets are capitalized and depreciated over the estimated useful life of the assets.

The *Statement of Net Position* presents information on all of the Authority's assets and liabilities; with the difference between them being reported as net position. This is a measure of financial position, which can indicate improvement or deterioration from year to year. The presentation of net position also distinguishes between those invested in capital assets and those that are unrestricted by external parties or legal requirements.



The *Statement of Revenues, Expenses and Changes in Net Position* accounts for the change in net position by showing the activities that caused the change. This statement measures the Authority's operations and can also be used to determine whether the Authority has successfully recovered all of its costs through fares and other user charges, sales taxes received, subsidies and other sources of funding available.

The *Statement of Cash Flows* provides details about the Authority's sources of, uses of and the change in cash over a fiscal year. This information is categorized into operating, non-capital financing, capital and related financing and investing activities.

The *Notes to the Financial Statements* and *Required Supplementary Information* provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes should be read as an integral part of the financial statements.

The Authority also has fiduciary responsibility for two employee retirement funds and presents two financial statements related to them: (a) Fiduciary Funds - Statement of Net Position and (b) Fiduciary Funds - Statement of Changes in Net Position, which follow the government-wide financial statements. There is also information concerning these plans in Note 5 in the notes to the financial statements in this section.

The Authority's basic financial statements can be found beginning on page 19.

FINANCIAL ANALYSIS

Statement of Net Position:

Net Position: Increases in net position indicate an improved financial position while decreases indicate deterioration of financial position. The Statement of Net Position provides the necessary information on which to base this determination. The net position is presented in two components: (1) those invested in capital assets and (2) those unrestricted and available for operations. Just over fifty-nine percent of the Authority's total net position is invested in capital assets consisting of buses, bus stops, shelters, stations, operating facilities and related land. There is no debt associated with these assets. The Authority uses these assets for the purpose of achieving its mission.

Table 1 provides summary multi-year comparative information about the Authority's net position. The change in net position can be explained by looking at the other components of the Statement of Net Position.

Table 1

CONDENSED SUMMARY OF NET POSITION

	<u>At December 31</u>			<u>At December 31</u>		
	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>2011</u>	<u>2010</u>	<u>Change</u>
Current Assets	\$ 35,104,552	32,369,128	2,735,424	32,369,128	26,815,449	5,553,679
Capital Assets	43,439,575	35,534,213	7,905,362	35,534,213	35,551,031	(16,818)
Total Assets	78,544,127	67,903,341	10,640,786	67,903,341	62,366,480	5,536,861
Current Liabilities	4,653,052	3,630,590	1,022,462	3,630,590	2,461,986	1,168,604
Long-Term Liabilities	607,514	565,915	41,599	565,915	452,658	113,257
Total Liabilities	5,260,566	4,196,505	1,064,061	4,196,505	2,914,644	1,281,861
Invested in Capital Assets	43,439,575	35,534,213	7,905,362	35,534,213	35,551,031	(16,818)
Unrestricted	29,843,986	28,172,623	1,671,363	28,172,623	23,900,805	4,271,818
Total Net Position	\$ 73,283,561	63,706,836	9,576,725	63,706,836	59,451,836	4,255,000

The Authority's net position at December 31, 2012 was \$73,283,561. Of this amount, \$43,439,575 (59.3%) represents the Authority's investment in capital assets (land, buildings, vehicles and other equipment). The remaining \$29,843,986 was unrestricted. Net position increased \$9,576,725 in 2012 due to an overall increase in investments and capital assets (net of accumulated depreciation), offset by decreases in cash, receivables and prepaid expenses and an increase in liabilities. It is the intent of the Board to assure that the Authority maintains adequate resources for operations and capital projects.

The Authority's net position at December 31, 2011 total \$63,706,836. Of this amount, \$35,534,213 (55.8%) represents the Authority's investment in capital assets. The remainder is unrestricted.

Current Assets: At the end of 2012, the Authority's current assets had increased by \$2,735,424 from the end of 2011. Investments were increased by a reduction in cash. Receivables, prepaid expenses and the net pension asset were lower than in 2011. The Authority continues a strategy to maintain adequate resources for replacement, enhancement and expansion of capital assets and withstanding economic uncertainty.

During 2011, the Authority's current assets increased by \$5,553,679. Cash was increased by a reduction in investments due to maturities. Receivables and the net pension asset were also higher than in 2010.



Capital Assets: As of December 31, 2012, the Authority's overall investment in capital assets (net of accumulated depreciation) totals \$43,439,575, an increase of \$7,905,362 from December 31, 2011. During the year, capital assets totaling \$13,428,696 were added and depreciation totaling \$5,523,334 decreased the carrying value. The Authority also retired capital assets with a historical cost of \$9,532,773 and accumulated depreciation of \$9,532,773. Significant 2012 capital additions include:

- ◆ Completion of \$5 million project to construct a CNG fueling station and retrofit the Maintenance Building for CNG
- ◆ Purchase of 10 CNG buses as the first phase of conversion to a CNG fleet
- ◆ Sidewalk improvements, bus pads, turnouts and curb cuts at bus stops and shelters
- ◆ Accessibility enhancements per the Authority's ADA Transition Plan
- ◆ Acquisition of additional land for expansion of the Staples Street Station and a new customer service center
- ◆ Continuing upgrades to the Authority's information systems including a new telephone system

As of December 31, 2011, the Authority's overall investment in capital assets (net of accumulated depreciation) totaled \$35,534,213, a decrease of \$16,818 from December 31, 2010. During the year, capital assets totaling \$5,862,990 were added and depreciation totaling \$5,878,720 decreased the carrying value. The Authority also retired capital assets with a historical cost of \$583,066 and accumulated depreciation of \$581,978. Significant 2011 capital additions included:

- ◆ Replacement of five motor coaches, and purchase of several smaller revenue and support vehicles
- ◆ Sidewalk improvements, bus pads, turnouts and curb cuts at bus stops and shelters
- ◆ Accessibility enhancements per the Authority's ADA Transition Plan
- ◆ Acquisition of additional land at the Staples Street and Port Ayers Stations
- ◆ Continuing upgrades to the Authority's fare collection and information systems including on board internet access

Additional details about the Authority's capital asset activities are presented in Note 3 of the notes to the financial statements. The primary funding source for capital projects is federal grants with a matching principle requiring that the Authority generally fund 20% of the total cost. Assets are then depreciated while maintaining the funding breakdown. The CNG fueling station and related modifications to the maintenance facility were funded with local funds. The Schedule of Expenditures of Federal Awards in the Single Audit Section provides more details on federal grant activity during the year. The following shows the investment in the Authority's assets by funding source as of December 31, 2012 and 2011:

Table 2

	Federal and <u>Other Funding</u>	Local <u>Funding</u>	<u>Total</u>
At December 31, 2012:			
Capital Assets At Cost	\$ 65,937,918	23,961,459	89,899,377
Less Accumulated Depreciation	<u>37,386,608</u>	<u>9,073,194</u>	<u>46,459,802</u>
Capital Assets, Net	<u>\$ 28,551,310</u>	<u>14,888,265</u>	<u>43,439,575</u>
At December 31, 2011:			
Capital Assets At Cost	\$ 67,967,834	18,035,620	86,003,454
Less Accumulated Depreciation	<u>40,561,744</u>	<u>9,907,497</u>	<u>50,469,241</u>
Capital Assets, Net	<u>\$ 27,406,090</u>	<u>8,128,123</u>	<u>35,534,213</u>

Liabilities: The Authority's total liabilities as of December 31, 2012 are \$5,260,566, of which \$4,653,052 is current and customary to the Authority's business and \$607,514 are non-current liabilities. Current liabilities increased due to increased amounts due to other governmental entities for street improvements and increased trade and accrued payables. As of December 31, 2011 the Authority's total liabilities were \$4,196,505, of which \$3,630,590 was current and \$565,915 was non-current. Current liabilities increased due to increased amounts due to other governmental entities for street improvements and increased trade payables.

Statement of Revenues, Expenses and Changes in Net Position:

Change in Net position: While the Statement of Net Position focuses on financial position at a point in time, the Statement of Revenues, Expenses, and Changes in Net Position provides further details as to what specific activities took place during the year that led to the changes shown on the Statement of Net position. The Authority's activities are presented in Table 3.

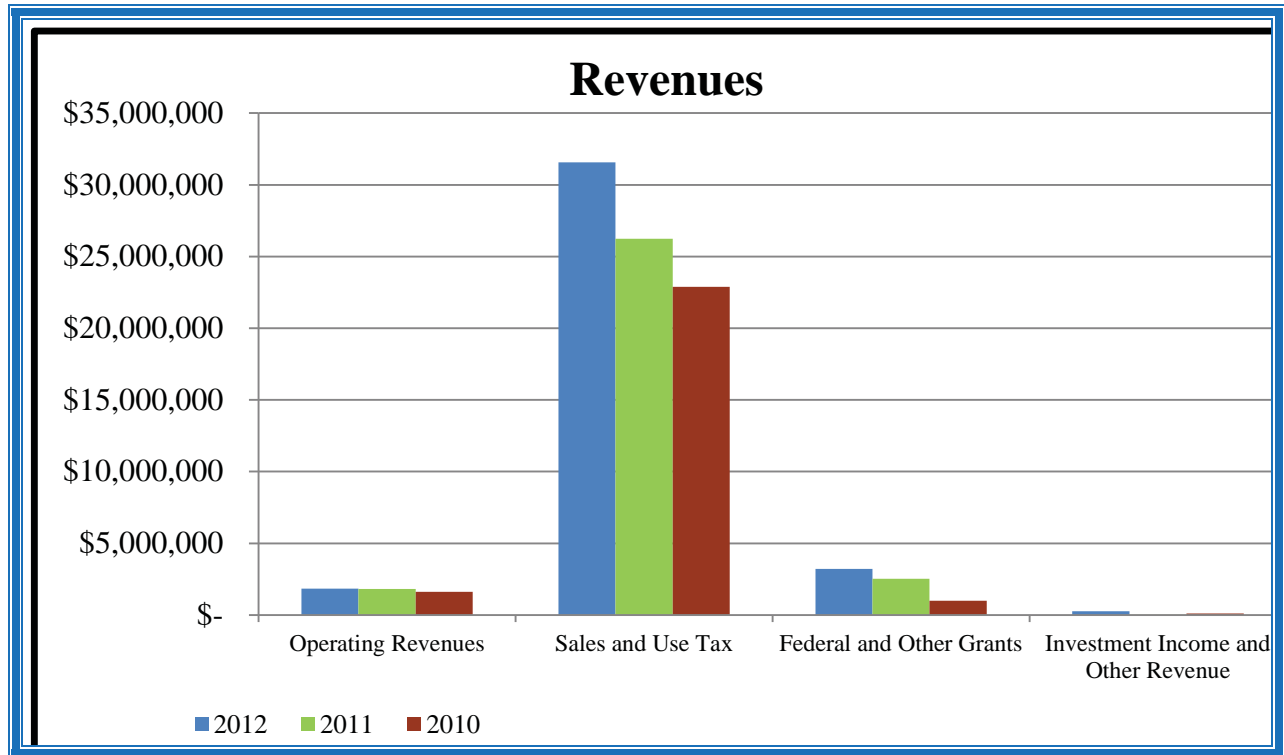


Table 3

**CONDENSED SUMMARY OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**

	Year Ended December 31			Year Ended December 31		
	2012	2011	Change	2011	2010	Change
Revenues:						
Operating Revenues	\$ 1,851,238	1,813,663	37,575	1,813,663	1,626,297	187,366
Non-Operating Revenues						
Sales and Use Tax	31,571,834	26,235,525	5,336,309	26,235,525	22,891,712	3,343,813
Federal and Other Grants	3,226,061	2,527,017	699,044	2,527,017	995,526	1,531,491
Investment Income	51,173	27,860	23,313	27,860	100,071	(72,211)
Gain on Property Disposed	1,086	1,733	(647)	1,733	10,828	(9,095)
Total Revenues	36,701,392	30,605,798	6,095,594	30,605,798	25,624,434	4,981,364
Expenses:						
Operating Expenses	25,239,860	23,801,087	1,438,773	23,801,087	22,190,593	1,610,494
Depreciation	5,523,334	5,878,720	(355,386)	5,878,720	5,203,248	675,472
Distribution to Regional Entities	2,154,150	1,918,020	236,130	1,918,020	1,325,648	592,372
Federal Interest in Disposed Property	-	-	-	-	2,816	(2,816)
Total Expenses	32,917,334	31,597,827	1,319,517	31,597,827	28,722,305	2,875,522
Net Income (Loss) Before Capital Grants and Donations	3,784,048	(992,029)	4,776,077	(992,029)	(3,097,871)	2,105,842
Capital Grants and Donations	5,792,677	5,247,029	545,648	5,247,029	3,106,602	2,140,427
Increase In Net Position	9,576,725	4,255,000	5,321,725	4,255,000	8,731	4,246,269
Net Position, January 1	63,706,836	59,451,836	4,255,000	59,451,836	59,443,105	8,731
Net Position, December 31	\$ 73,283,561	63,706,836	9,576,725	63,706,836	59,451,836	4,255,000

Net position increased by \$9,576,725 during 2012. The Authority's net position increased because of \$5,792,677 in Federal capital grants and net income of \$3,784,048. Net position increased by \$4,255,000 during 2011 due to \$4,857,596 in Federal capital grants and \$389,433 in private capital donations offset by a loss of \$992,029. The discussion on the following pages provides details of the more significant aspects of the Authority's operating activities that changed net position.



Revenues: The Authority's revenues are from sources customary to the public mass transportation industry. Total revenues are made up primarily of sales and use taxes with the smaller share of overall revenues generated from user charges and other ancillary revenues, grants used for operating assistance earnings from investing activities, and occasional gains from disposing of property owned by the Authority.

In 2012, the Authority's total revenues increased \$6,095,594 (19.9%) from 2011. Sales taxes, grant revenues, operating revenues and investment income all increased from the prior year while gain on disposed property decreased. Drilling activity in the Eagle Ford Shale was responsible for much of the economic growth fueling the 20.3% increase in sales tax revenue. In 2011, the Authority's total revenues increased \$4,981,364 (19.4%) from 2010. Sales taxes, grant revenues and operating revenues all increased from the prior year levels while investment income and gain on disposed property decreased. Details about the Authority's revenue activities are discussed in the following sections.

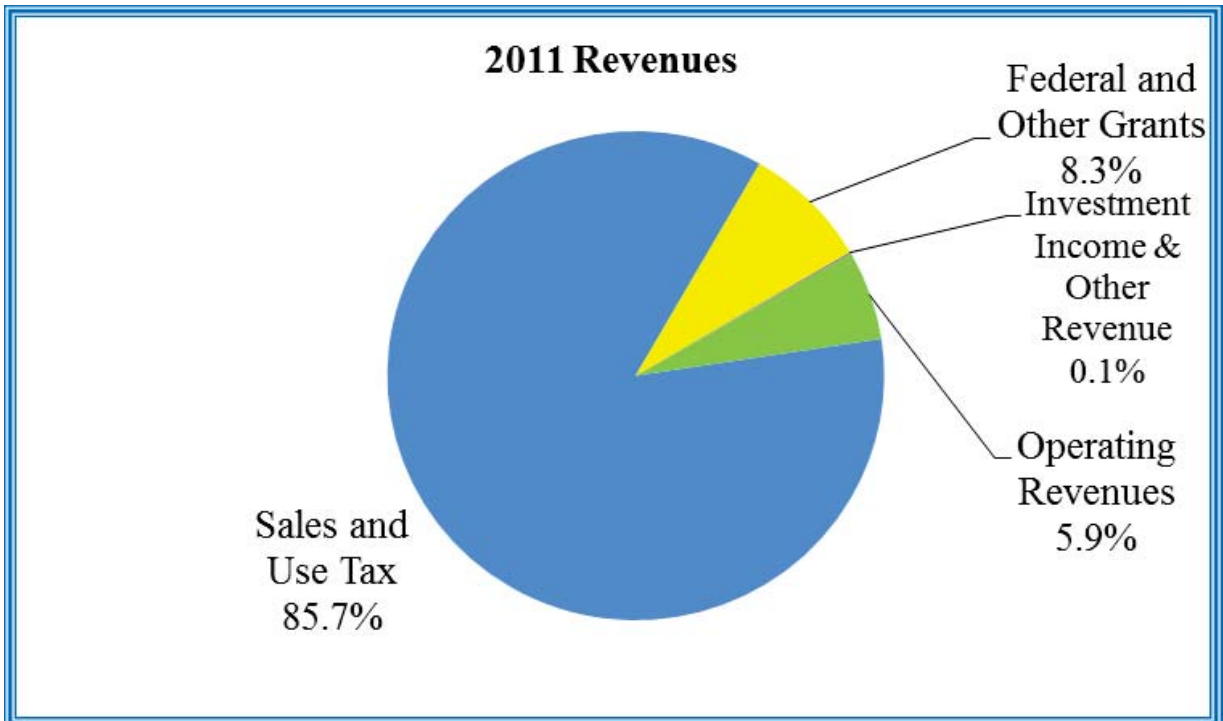
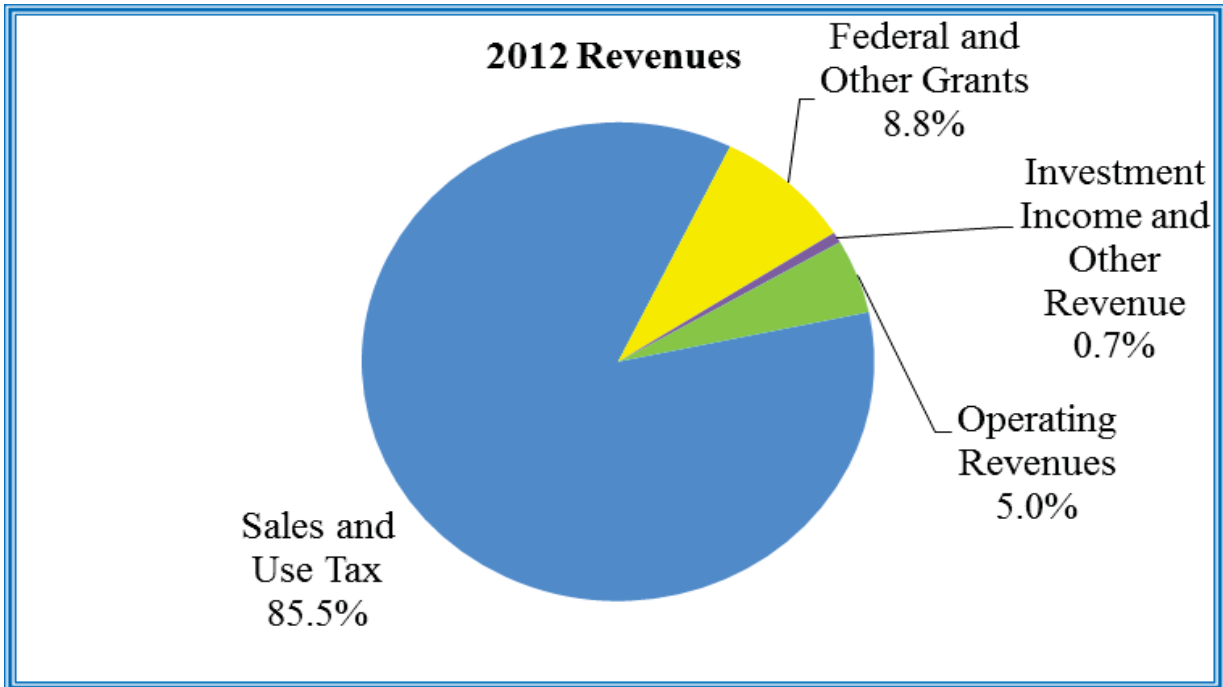
- ◆ Operating Revenues include user charges for transportation services, bus bench advertising, onboard advertising and other ancillary operating revenues. For 2012, operating revenues represent 5.1% of total revenues and are \$37,575 more than in 2011. Overall rider-ship was up by 0.9%. Ridership on fixed routes was up by 0.5% while para-transit ridership increased by about 1.6% due to increases in employment and improvement in the overall economy. Ridership on the Harbor Ferry was up 63.7% due to an improved economy and a positive response to improved service and amenities during

the 2011 season. Passenger revenues were up 2.8%, with revenues leading increased ridership because increases were primarily in higher fare services. In 2011, operating revenues represented 5.9% of total revenues and were \$187,366 more than in 2010. Overall rider-ship was up by 10.6% of which about 1.0% was due to operation of the Harbor Ferry which did not run in 2010. Ridership on fixed routes was up by 10% while demand response ridership was up by 4.7% due to increases in employment and improvement in the overall economy. Passenger revenues were up 8.0%, with revenues lagging increased ridership because the greatest increase was in lower fare services.

- ◆ Sales and Use Tax is a dedicated ½ cent sales and use tax levied on certain goods and services sold within the region which provides the primary funding for the Authority's operating budget. For 2012, sales taxes represent 85.5% of total revenues and increased 20.3% from 2011. Continued improvements in the overall economy and increased economic activity related to the Eagle Ford Shale play were responsible for the increase in sales tax collections. In 2011, sales taxes were 85.7% of total revenues and were 14.6% higher than 2010, as improvements in the economy directly impacted sales tax collections in the region.
- ◆ Operating Grant Assistance represents reimbursements to the Authority for preventative maintenance activities, the cost of certain work-related routes and regional mobility coordination. The Authority has the option of utilizing its annual "Formula" grants provided by the Federal Transit Administration (FTA) for operating assistance or to fund capital asset acquisitions. In 2012, these grant revenues are made up primarily of reimbursements for preventive maintenance activities and operating assistance for ADA para-transit services. There are also revenues from FTA Job Access and Reverse Commute used to help pay for the cost of certain work-related routes and regional mobility coordination, and a small amount from a New Freedom Grant for travel training. In 2012, these grants represent 8.7% of total revenues compared to 8.3% in 2011, and 3.9% in 2010 as the Authority made greater use of preventive maintenance reimbursements. In 2011, these grant revenues were made up primarily of reimbursements for preventative maintenance activities. There were also revenues from FTA Job Access and Reverse Commute used to help pay for the cost of certain work-related routes and regional mobility coordination, and a small amount from a New Freedom Grant for travel training.
- ◆ Investment Income is income earned from the Authority's investing activities. Income generated from the Authority's portfolio increased \$23,313 from 2011. The increase was primarily due to higher cash balances resulting from increased sales tax revenue as available yields remained low. In 2012, the average portfolio was \$25,614,230 and yielded 0.20% compared to the 2011 average portfolio of \$21,335,935 which yielded .13%. In 2011, these revenues decreased \$72,211 from 2010 due to lower available yields on higher cash balances. The average portfolio increased to \$21,335,935 from \$19,217,805 in 2010 and the yields decreased to .13% from .52% in 2010.

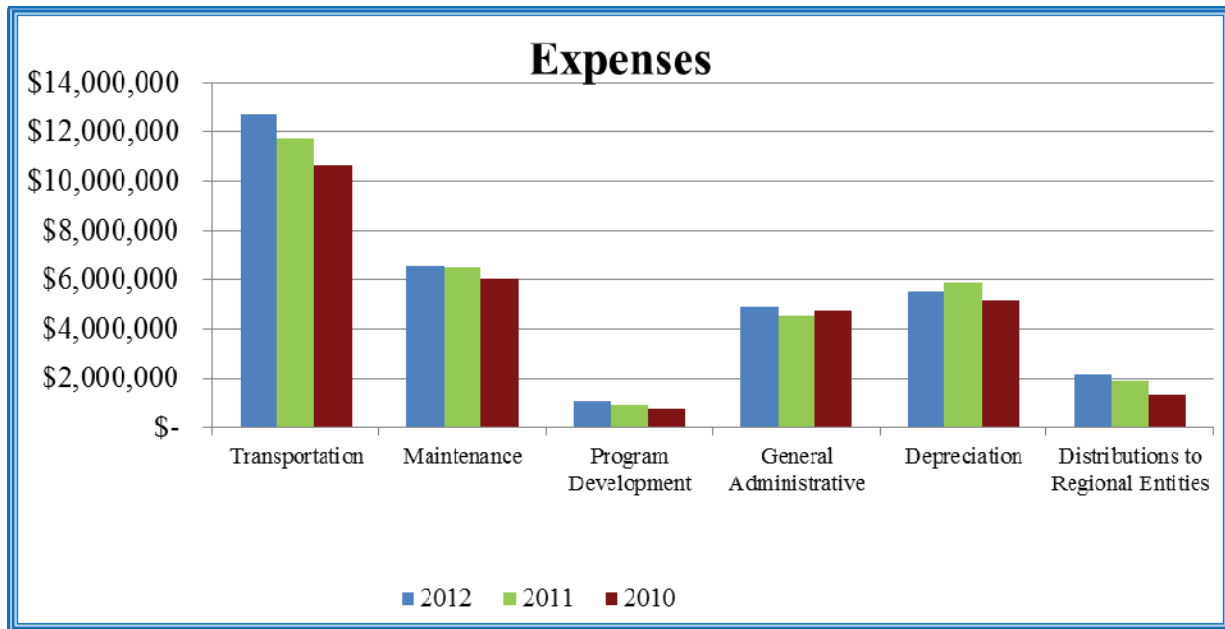


Other Revenues include gains on disposals of assets and release of debt from purchase of like-kind property. In 2012 these items resulted in revenues of \$1,086 compared to \$1,733 in 2011 and \$10,828 in 2010. Other revenues have been included with interest income on the revenue charts below.





Expenses: The Authority's expenses are made of operating expenses (directly operated and purchased transportation services, maintenance, planning and program development, and general administrative costs), depreciation of capital assets, and distributions to regional entities for the Authority's street improvement program. In 2012, total expenses increased by \$1,319,517 (4.2%) over 2011. In 2011, total expenses increased by \$2,875,522 (10.0%) over 2010.

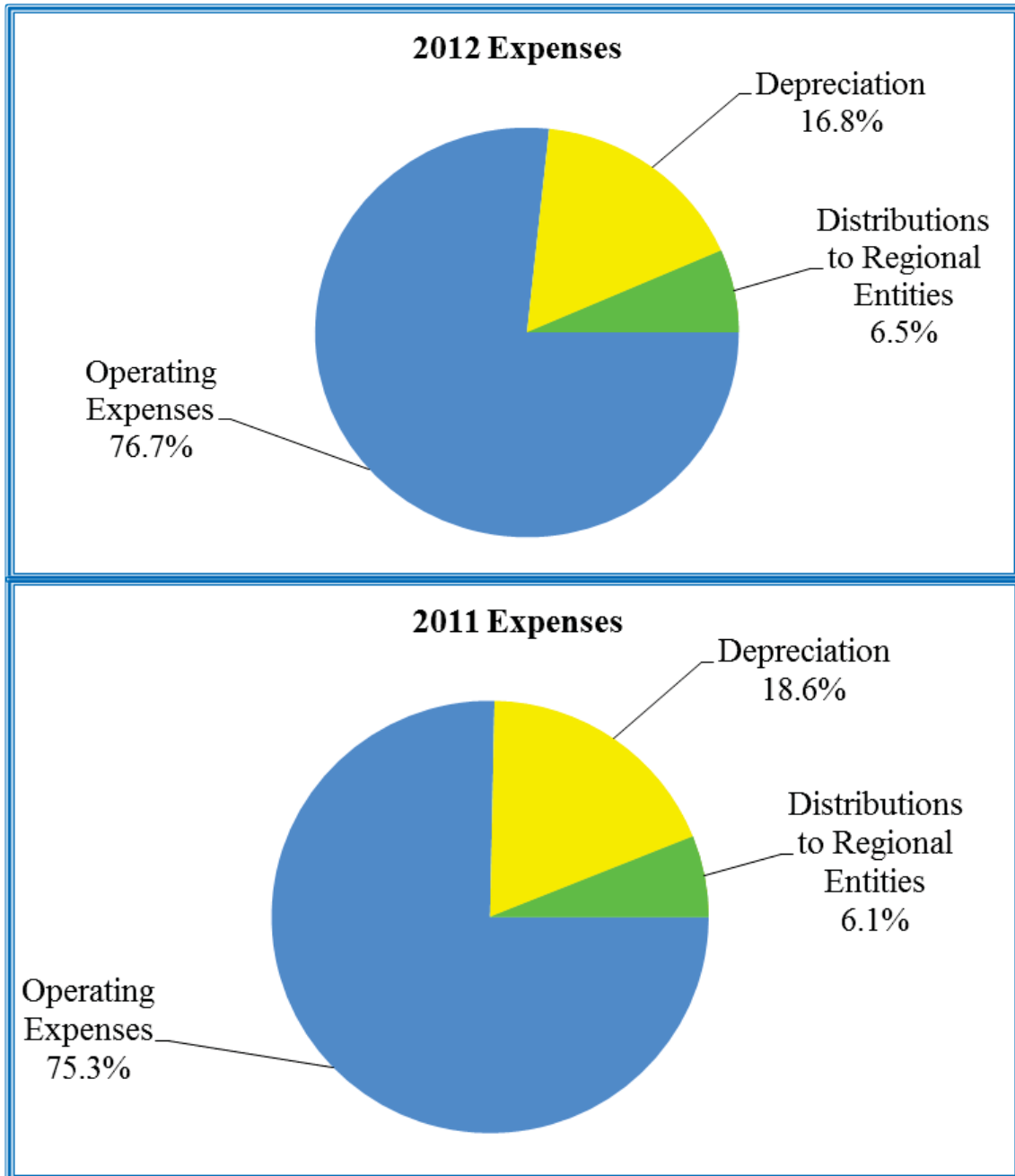


- ◆ **Operating Expenses:** The largest component of the Authority's total expenses is operating expenses. These expenses account for 76.7% and 75.3% of total expenses in 2012 and 2011, respectively.

As shown on Table 3 above, operating expenses increased by \$1,438,773 (6.0%) in 2012. Transportation costs which include both directly operated services and purchased transportation services increased \$954,171 (8.1%). A 3% COLA and an additional pay increase for drivers along with increased para-transit and Harbor Ferry services were the primary causes of increased transportation costs. Maintenance costs for facilities and for directly operated revenue and support vehicles remained stable with an increase of \$3,995 (0.1%) in 2012. Costs for program development (including service development, customer service, and marketing) increased by \$312,239 (32.7%) with much of the cost increase related to the development of a new long range system plan. Administrative costs increased \$361,249 (7.9%) from 2011. The largest single factor was an increase in the cost of funding the Authority's pension due to a lower than anticipated year end market valuation.

For 2011, operating expenses were 7.3% more than 2010. Transportation costs increased by \$1,144,463 (10.8%) due to resumption of the Harbor Ferry Service, increases in demand response services, higher fuel prices and increased overtime costs resulting from

staff vacancies and absences. Maintenance costs were \$486,075 (8.1%) higher than 2010 due to higher fuel prices. Administrative costs decreased from 2010 primarily due to a decrease in the cost of funding the Authority's pension due to improved market conditions.



Depreciation: Depreciation is \$355,386 (5.7%) lower than 2011 due to an increase in fully depreciated capital assets. In 2011, depreciation was \$675,472 (13.0%) higher than 2010 as the Authority capitalized and began to depreciate new assets including replacements of fully



depreciated assets and investments in improvements to bus stops, shelters and other system assets.

Distributions to Regional Entities: The Authority, through collaborative efforts with the regional member government entities, maintains a street improvement program for the purpose of constructing, rebuilding and rehabilitating streets within its service region. These projects represent a major investment in enhancing mobility, reducing congestion and improving the overall service area. The streets are not the property of the Authority and, thus, the expenditures are reported as non-operating expenses in the Authority's financial statements. The level of funding is determined annually based on budgeted sales tax revenues and other factors. In 2012, these costs increased \$236,130 (12.3%) from 2011 due to an increase in sales tax. In 2011, the costs of the program increased \$592,374 (44.7%) from 2010 due to an increase in sales tax.

Fiduciary Funds:

Following the government-wide basic financial statements are similar financial statements for the Authority's two fiduciary funds. These statements provide financial information about the Authority's defined benefit pension and defined contribution retirement plans. During 2012, a rally in the stock market and steady performance the fixed income markets resulted in a \$4,655,676 (15.8%) increase in value of the plans' assets since the end of 2011. This follows a decrease of \$671,013 (2.2%) in 2011. Note 5 in the notes section provides a discussion of the administration of the plans and there are further details contained in required supplementary information and supplemental schedules contained in the financial section of this CAFR.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

For 2013 operating expenses including depreciation are budgeted at \$33,087,373. This represents a 3.2% increase over the final 2012 budget. Sales tax, the Authority's largest revenue source, was budgeted at \$31,482,000 an increase of 17.6% over what was budgeted in 2012. Sales tax is expected to equal 95.1% of operating expenses in 2013 as opposed to 83.1% in the 2012 budget.

The budget was formulated in the expectation that continued expansion of operations at the Eagle Ford Shale will result in an increase in sales tax revenue that will cover inflationary pressures on expenses. The Eagle Ford Shale is a 20,000 square mile formation that produces natural gas, oil, and related condensate and liquids located in South Central Texas. The Eagle Ford Shale has a significant impact on 20 Texas counties: fourteen producing counties, and six others including Nueces and San Patricio that provide major support to the producing counties such as transportation, refining and pipe laying and manufacturing. A 2013 study released by the Center for Community and Business Research at the University of Texas at San Antonio Economic Institute for Economic Development estimates that in 2012, Eagle



Ford related activity in Nueces County resulted in \$8.5 billion in output, supported 6,699 jobs, with payrolls in excess of \$350 million, and over \$2 billion in gross county product. By 2022, Eagle Ford related output is expected to be \$19.9 billion, with employment of 11,563, and payrolls in excess of \$650 million, and gross county product exceeding \$4 billion.

Sales tax revenue growth is expected to remain robust but at a slower rate than in 2012. Compared to 2012, sales tax revenue in the first quarter of 2013 increased 10%.

Other assumptions in the 2013 budget include minor service increases, maintaining the current fare structures, continued growth of fuel and health care costs. A 3.0 % COLA and an increase in starting compensation for garage service persons were included in the 2013 budget. The budget also assumes continued reliance on preventive maintenance funding available on federal capital grants.

Passenger fare revenues were flat for the first quarter of 2013 as both job growth and fuel prices moderated. Expenses for the first quarter of 2013 have been significantly below budget due to lower than anticipated costs for fuel, health care and wages.

Several significant capital projects are planned for 2013. The cost will be funded with a combination of FTA and other federal grants, local funds and the use of state toll credits in place of matching funds. The projects include:

- ◆ Demolition of existing buildings at the site for the proposed Customer Service Center adjoining the Staples Street Transfer Station in downtown Corpus Christi has begun. The scope of the building, timeline and financing await board action.
- ◆ Replacement of 23 revenue and seven non-revenue vehicles with CNG fueled vehicles
- ◆ ADA Improvements, Shelters & Facilities throughout the system
- ◆ Improvements to Bus Stops, Streets and Park and Rides
- ◆ Continued improvements to information technology
- ◆ Improvements to the Bus Wash

During 2013, the Authority is continuing to carefully assess factors in the local economy and ways to increase revenues or decrease costs in order to live within the means available. The Authority also continues to look for ways to partner with others to enhance the local economy and transportation options.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for those with an interest in its finances. Questions concerning any of the information in this



CORPUS CHRISTI REGIONAL
TRANSPORTATION AUTHORITY

Corpus Christi Regional Transportation Authority
Fiscal 2012 Comprehensive Annual Financial Report
Financial Section I Management's Discussion and Analysis

report or requests for additional information should be addressed to Open Records Request, Attn.: Beth Vidaurri, Corpus Christi Regional Transportation Authority, 5658 Bear Lane, Corpus Christi, Texas 78405, (361) 289-2712. In addition this Comprehensive Annual Financial Report will be posted on the Authority's website: www.ccrta.org.



CORPUS CHRISTI REGIONAL
TRANSPORTATION AUTHORITY

Corpus Christi Regional Transportation Authority
Fiscal 2012 Comprehensive Annual Financial Report
Financial Section I Basic Financial Statements

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

Statement of Net Position

December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 2)	\$ 14,941,878	24,335,431
Investments (Note 2)	10,455,218	100,000
Receivables:		
Sales and Use Taxes	6,841,088	5,201,820
Accrued Interest	44,438	16
Federal Government	1,936,569	1,385,047
Other	54,623	96,193
Inventories	510,868	571,406
Prepaid Expenses	150,359	501,669
Net Pension Asset	169,511	177,546
Total Current Assets	<u>35,104,552</u>	<u>32,369,128</u>
Capital Assets (Note 3):		
Land	3,658,054	2,166,370
Buildings	17,777,762	16,741,830
Transit Stations, Stops and Pads	22,191,353	19,665,478
Other Improvements	3,756,651	1,715,273
Vehicles and Equipment	41,790,299	43,654,372
Construction in Progress	725,258	2,060,131
Total Capital Assets	89,899,377	86,003,454
Less: Accumulated Depreciation	(46,459,802)	(50,469,241)
Capital Assets, Net	<u>43,439,575</u>	<u>35,534,213</u>
TOTAL ASSETS	<u>78,544,127</u>	<u>67,903,341</u>
LIABILITIES AND Net Position		
Current Liabilities:		
Accounts Payable	1,332,816	1,245,715
Accrued Compensated Absences (Note 4)	258,394	207,174
Distributions to Regional Entities Payable	2,632,121	1,355,715
Other Accrued Liabilities	429,721	821,986
Total Current Liabilities	<u>4,653,052</u>	<u>3,630,590</u>
Non-Current Liabilities:		
Accrued Compensated Absences (Note 4)	76,467	75,017
Other Post-Employment Benefits (Note 6)	531,047	490,898
Total Non-Current Liabilities	<u>607,514</u>	<u>565,915</u>
TOTAL LIABILITIES	<u>5,260,566</u>	<u>4,196,505</u>
Net Position:		
Invested In Capital Assets	43,439,575	35,534,213
Unrestricted	29,843,986	28,172,623
TOTAL Net Position	<u>\$ 73,283,561</u>	<u>63,706,836</u>

See Notes to Financial Statements



Corpus Christi Regional Transportation Authority
Fiscal 2012 Comprehensive Annual Financial Report
Financial Section I Basic Financial Statements

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues:		
Passenger Service	\$ 1,706,528	1,660,782
Bus Advertising	71,004	40,000
Other Operating Revenues	73,706	112,881
Total Operating Revenues	<u>1,851,238</u>	<u>1,813,663</u>
Operating Expenses:		
Transportation	5,423,661	5,169,318
Customer Programs	216,369	317,752
Purchased Transportation	7,294,539	6,594,711
Planning & Service Development	550,325	350,661
MIS	331,765	248,423
Vehicle Maintenance	5,399,571	5,374,393
Facilities Maintenance	980,410	1,003,605
Materials Management	143,081	141,069
Administrative and General	4,591,389	4,313,482
Marketing and Communications	308,750	287,673
Depreciation	5,523,334	5,878,720
Total Operating Expenses	<u>30,763,194</u>	<u>29,679,807</u>
Operating Loss	(28,911,956)	(27,866,144)
Non-Operating Revenues (Expenses):		
Sales and Use Tax Revenue	31,571,834	26,235,525
Federal and Other Grant Assistance	3,226,061	2,527,017
Investment Income	51,173	27,860
Gain on Disposition of Property	1,086	1,733
Distributions to Regional Entities	(2,154,150)	(1,918,020)
Net Income (Loss) Before Capital Grants and Donations	<u>3,784,048</u>	<u>(992,029)</u>
Capital Grants and Donations	<u>5,792,677</u>	<u>5,247,029</u>
Change in Net Position	9,576,725	4,255,000
Net Position, January 1	<u>63,706,836</u>	<u>59,451,836</u>
Net Position, December 31	<u>\$ 73,283,561</u>	<u>63,706,836</u>

See Notes to Financial Statements



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Statement of Cash Flows
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 1,697,768	1,660,782
Cash Received from Bus Advertising and Other Ancillary	186,280	123,909
Cash Payments to Suppliers for Goods and Services	(13,626,410)	(12,554,936)
Cash Payments to Employees for Services	(8,347,048)	(7,693,029)
Cash Payments for Employee Benefits	(3,003,122)	(2,904,055)
Net Cash Used by Operating Activities	<u>(23,092,532)</u>	<u>(21,367,329)</u>
Cash Flows from Non-Capital Financing Activities:		
Sales and Use Taxes Received	29,932,566	25,475,867
Grants and Other Reimbursements	3,226,061	2,527,017
Distributions to Regional Entities	(877,744)	(1,435,693)
Net Cash Provided by Non-Capital Financing Activities	<u>32,280,883</u>	<u>26,567,191</u>
Cash Flows from Capital and Related Financing Activities:		
Federal and Other Grant Assistance	5,027,822	5,026,197
Proceeds from Disposal of Capital Assets	1,086	2,820
Purchase and Construction of Capital Assets	(13,262,345)	(5,882,722)
Net Cash Used by Capital and Related Financing Activities	<u>(8,233,437)</u>	<u>(853,705)</u>
Cash Flows from Investing Activities:		
Investment Income	96,412	300,595
Purchases of Investments	(16,644,879)	(5,121,840)
Maturities and Redemptions of Investments	6,200,000	13,100,000
Net Cash Provided/(Used) by Investing Activities	<u>(10,348,467)</u>	<u>8,278,755</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(9,393,553)	12,624,912
Cash and Cash Equivalents, January 1	24,335,431	11,710,519
Cash and Cash Equivalents, December 31	\$ <u>14,941,878</u>	<u>24,335,431</u>

(Continued)



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	<u>2012</u>	<u>2011</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	\$ (28,911,956)	(27,866,144)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation	5,523,334	5,878,720
Changes in Assets and Liabilities:		
Other Receivables	41,571	(28,972)
Inventories	60,538	2,391
Prepaid Expenses	351,310	13,783
Accounts Payable and Accrued Liabilities	(157,329)	632,893
Net Cash Used for Operating Activities	\$ <u>(23,092,532)</u>	<u>(21,367,329)</u>
Non-Cash Investing, Capital and Financing Activities:		
Amortization of premiums on investments	\$ 89,480	226,293
Change in:		
Fair Value of Investments	(180)	-
Interest Receivable	44,422	(46,442)
Sales and Use Tax Receivable	1,639,268	759,658
Receivable from Federal Government	764,855	229,660
Payable to Federal Government	(213,317)	-
Distributions to Regional Entities Payable	1,276,406	482,327
Retainage Payable	166,351	(10,905)

See Notes to Financial Statements



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

Fiduciary Funds - Statement of Net Position

December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Investments (Note 2)		
Money Market Funds	\$ 2,002,588	1,865,667
Debt Mutual Funds	10,767,835	6,576,406
Equity Mutual Funds	21,282,059	20,954,733
<i>Total Assets</i>	<u>34,052,482</u>	<u>29,396,806</u>
LIABILITIES		
	<u>-</u>	<u>-</u>
NET POSITION		
Assets Held In Trust For Pension Benefits	\$ <u>34,052,482</u>	<u>29,396,806</u>

See Notes to Financial Statements



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Fiduciary Funds - Statement of Changes in Net Position
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Additions:		
Investment Income (Loss)	\$ 4,290,190	(754,878)
Employee Contributions	673,604	681,496
Employer Contributions (Note 5)	<u>1,125,651</u>	<u>1,064,288</u>
<i>Total Additions</i>	<u>6,089,445</u>	<u>990,906</u>
Deductions:		
Benefits Paid	1,346,803	1,575,477
Administrative Expenses	<u>86,966</u>	<u>86,442</u>
<i>Total Deductions</i>	<u>1,433,769</u>	<u>1,661,919</u>
Increase/(Decrease) in Net Position	4,655,676	(671,013)
Net Position, January 1	<u>29,396,806</u>	<u>30,067,819</u>
Net Position, December 31	<u>\$ <u>34,052,482</u></u>	<u>29,396,806</u>

See Notes to Financial Statements



(1) **Summary of Significant Accounting Practices**

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to the accounting principles generally accepted in the United States of America (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The Corpus Christi Regional Transportation Authority (Authority) was established by referendum on August 10, 1985, as a political subdivision of the State of Texas, to develop, maintain and operate a public mass transportation system, principally within Nueces County, Texas and certain neighboring communities. The Authority commenced operations on January 1, 1986.

Under state law, the Authority is authorized to levy a ½-cent sales and use tax for transit purposes, including both capital improvement and operating expenses. The Authority is not authorized to levy property taxes. The Authority may issue bonds backed by operating revenues. Subject to referendum, the Authority may also issue bonds backed by sales taxes. To date, neither of these options has been exercised. The Authority is not subject to federal income taxes.

Reporting Entity: “The Financial Reporting Entity,” as defined by GASB Statement No. 14, is comprised of the primary government and its component units. The primary government includes all departments and operations of the Authority that are not legally separate organizations. Component units are legally separate organizations that are fiscally dependent on the Authority or for which the Authority is financially accountable. An organization is fiscally dependent if it must receive the Authority’s approval for its budget, the levying of taxes or the issuance of debt. The Authority is financially responsible for an organization if it appoints a majority of the organization’s board and either (a) has the ability to impose its will on the organization or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the Authority. The reporting entity of the Authority consists only of the primary government. There are no component units. The Authority is not included as part of another governmental reporting entity.

Measurement Focus, Basis of Accounting and Financial Statements: The accounts of the Authority are organized as a proprietary fund. Proprietary funds account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent is that costs of providing services to the general public on a continuing basis are financed or recovered through user charges. The Authority's accounts are used for all Authority assets, liabilities, equities, revenues and expenses and are maintained on the accrual basis of accounting. Revenues from operations, investments and other sources are recorded when earned and expenses, including depreciation and amortization, of providing services to the public are accrued when incurred.

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* private sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed to the extent that those standards do not conflict with the guidance of the GASB. The Statement which applies to the Authority effective for fiscal year 2012, supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. Since the Authority had not made the election under GASB Statement 20 implementation of Statement No. 62 has had no effect on these financial statements.

Operating revenues include charges for transportation services and related ancillary revenues. Operating expenses include costs of operating the Authority, including fixed route, purchased services, service planning, customer service, vehicle and facilities maintenance and administrative functions. All revenues and expenses that do not meet these definitions are classified as non-operating.

Non-operating revenues are non-exchange transactions, in which the Authority receives value without directly giving something of equal value in return, including sales taxes and grants. Sales tax is recognized when the taxable sales occur. Grants are recognized on a reimbursement basis when all grant requirements have been satisfied.

Budget: State law requires that an annual operating budget be adopted prior to the commencement of a fiscal year. Before the budget is adopted, the Authority's Board of Directors is required to conduct a public hearing and the proposed budget must be made available to the public at least 14 days prior to the hearing. The Authority may not incur operating expenses in excess of the total budgeted operating expenses unless the Board amends the budget by order after public notice and hearing. Monthly budget reports are prepared for budgetary control purposes.



Fiduciary funds: Fiduciary funds are used to account for pension activities for which the Authority is financially accountable. Since these assets are being held for the benefit of other parties and cannot be used to finance the activities of the Authority, they are separately presented funds.

Cash and Cash Equivalents: The Authority considers all cash on hand, demand deposits and short-term investments with original maturities of less than 90 days to be cash and cash equivalents.

Investments: The Authority's investments are stated at fair value, except for money market funds and investments with a remaining maturity of one year or less when purchased and nonparticipating interest earning investment contracts, which are carried at cost. Fair value fluctuates with interest rates and increasing rates may cause the fair value to decline below cost. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Net change in the fair value of investments is recognized and reported as investment income in the financial statements. The Authority's investment policy focuses on strategies that attain preservation of principal primarily and maximizing earnings secondarily.

Receivables: Receivables generally consist of amounts due from customers, grantor agencies, cost-sharing agreements, employees, warranties and similar activities.

Inventories: Parts inventories are stated at average cost. Fuel inventories are carried at cost using the first-in, first-out method. In accordance with industry practice, all inventories are classified as current assets regardless of whether the inventory will be utilized within one year.

Capital Assets: The Authority generally defines capital assets as items with an initial cost of at least \$750 (\$500 for IT equipment) and an estimated useful life in excess of one year. Capital assets, which include property, facilities, and equipment, are stated at historical cost. Donated assets are recorded at estimated market value as of the date of donation. Leasehold improvements are amortized over the shorter of the lease term or lives of related improvements. All costs of normal maintenance and repairs are expensed to operations as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Standard useful life estimates by asset types are as follows:

<u>Asset Type</u>	<u>Years</u>
Buildings	20
Transit Stations and Bus Pads	15
Improvements other than buildings	5
Vehicles, furniture and equipment	3-12
Leasehold improvements	3-5



Upon disposal, the costs of assets, including accumulated depreciation, are removed with the resulting gain or loss being reflected as a non-operating expense in the statement of revenues, expenses, and changes in net position. A portion of the proceeds from sale of property and equipment acquired with federal grants must be remitted to the granting federal agency under certain circumstances.

Compensated Absences: Employees of the Authority are compensated for personal, holiday, and health leave and other qualifying absences. The number of days compensated for these absences is based generally on length of service. It is the Authority's policy to permit employees to accumulate earned but unused personal leave. The amount of unused time that can be carried over to the next year is limited to 80 hours. Sick leave can be carried over indefinitely and up to 240 hours paid out if the employee retires from the Authority. Compensated absences are reflected in the financial statements when earned and available to the employee.

Pension Plans: It is the Authority's policy to fund pension costs annually. Pension costs are composed of normal service cost and amortization of unfunded actuarial accrued liability and prior service costs.

Estimates: Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Recent Accounting Pronouncements: In addition to GASB 62 noted above, during 2012, the Authority also implemented the requirements of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Statement 63 provides financial reporting guidance for deferred inflows and deferred outflows of resources. Deferred outflows of resources are the consumption of net assets by the government applicable to a future reporting period and deferred inflows of resources are the acquisition of net assets by the government applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are incorporated into the definitions of the required components of the residual measure of net position, previously titled net assets. While the Authority had no deferred inflows or deferred outflows, net assets have been retitled net position.



(2) Deposits and Investments

As of December 31, 2012 and 2011, the Authority had the following cash and investments:

Deposits and Investments by Type	2012			2011		
	Enterprise Fund Fair Value	Fiduciary Funds Fair Value	Weighted Average Maturity (Days)	Enterprise Fund Fair Value	Fiduciary Funds Fair Value	Weighted Average Maturity (Days)
Demand Deposits	\$ 2,975,868	-	1	\$ 375,796	-	1
Government Agencies	2,999,820	-	694	-	-	-
Municipal Obligations	6,966,630	-	130	-	-	-
Certificates of Deposit	490,000	-	229	100,000	-	178
Money Market Funds	11,964,859	2,002,588	1	23,958,485	1,865,667	1
Debt Mutual Funds	-	10,767,835	1	-	6,576,406	1
Equity Mutual Funds	-	21,282,059	1	-	20,954,733	1
Total	25,397,178	34,052,482		24,434,281	29,396,806	
Included In Cash and Cash Equivalents	(14,940,727)	(2,002,588)		(24,334,281)	(1,865,667)	
Equity in Investments	\$ 10,456,451	32,049,894		\$ 100,000	27,531,139	

The carrying value of the Enterprise Fund Equity in Investments was \$10,455,218 and \$100,000 at December 31, 2012 and 2011, respectively.

The Authority's deposits and investments are subject to various types of risks. The following disclosures are for the purpose of assessing the types of risks involved.

Interest Rate Risk: This is the risk that changes in the interest rates will negatively impact the fair value of the Authority's investments. As market interest rates rise, the fair value of an investment held decreases. By policy, the Authority's strategy for managing this risk is to limit the weighted average maturity for the portfolio to six months. The maximum maturity for any one investment is three years.

For the Enterprise Fund as of December 31, 2012,

- no holding in the portfolio had a stated maturity date beyond 694 days,
- holdings maturing beyond six months represented 21.29% of the total portfolio,
- the dollar weighted average maturity of the portfolio was 121 days

For the Enterprise Fund as of December 31, 2011,

- no holding in the portfolio had a stated maturity date beyond 178 days,
- holdings maturing beyond six months represented 0.41% of the total portfolio,
- the dollar weighted average maturity of the portfolio was 2 days

Credit Risk - Investments: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Authority. The primary stated objective of the Authority's adopted Investment Policy is the safety of principal and the avoidance of principal loss. Credit risk within the Authority's portfolio among the authorized investments in the Policy is represented in time and demand deposits, repurchase agreements, state and local government obligations, banker's acceptances, commercial paper and non-rated SEC registered money market mutual funds. All other investments are rated AAA, or equivalent, by at least one nationally recognized rating organization (NRSRO).

Certificates of deposit are limited to a stated maturity of two years and FDIC insurance is required. Brokered certificates of deposit must be FDIC insured and delivered versus payment to the Authority's depository. Maximum maturity is two years with 102% collateralization required. FDIC insurance must be verified before purchase and monitored thereafter. All investments requiring a rating must be monitored on an ongoing basis.

Concentration of Credit Risk: This is the risk of investing predominantly in any one type of investment or entity. The Authority recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. The Authority's adopted investment policy establishes diversification as a major objective of the investment program and sets diversification limits for all authorized investment types which are monitored on a monthly basis. As of December 31, 2012 the limits on the various types of authorized investments as a percent of the portfolio were:

<u>Investment Type</u>	<u>Allowable</u>	<u>Actual as of 12/31/2012</u>	<u>Actual as of 12/31/2011</u>
US Treasury Obligations	80.00%	0.00%	0.00%
US Agencies/Instrumentalities	80.00%	11.73%	0.00%
State Government Obligations	35.00%	0.00%	0.00%
Local Government Obligations	35.00%	27.24%	0.00%
Certificates of Deposit (Depository)	50.00%	1.92%	0.41%
Brokered Certificates of Deposit	30.00%	0.00%	0.00%
Repurchase Agreements	50.00%	0.00%	0.00%
Flex in CIP Funds	100.00%	0.00%	0.00%
Local Government Investment Pools	80.00%	0.00%	0.00%
Money Market Funds / Demand Deposits	100.00%	59.11%	99.59%
Commercial Paper	25.00%	0.00%	0.00%
Bankers Acceptances	20.00%	0.00%	0.00%



Custodial Credit Risk – Deposits and Investments: For deposits, this is the risk that if a bank fails, the Authority may not recover its deposits. The Authority contractually requires that all demand deposits held in the bank overnight and repurchase agreements be fully insured or collateralized at 102% under a written agreement. Collateral is held in safekeeping by an independent third party. At December 31, 2012 and 2011 bank funds on deposit in excess of FDIC insurance were collateralized at more than 102%.

For investments, this is the risk that if counterparty fails, the Authority may not recover the value of its investments held by an outside party. The Authority requires that all securities must be cleared on a delivery versus payment (DVP) basis and Authority ownership documented by original clearing confirmations and safekeeping receipts. At December 31, 2012 and 2011, all Authority's securities were handled in this manner.

Fiduciary Funds: Funds in the Authority's Defined Benefit and Defined Contribution plans are invested through trust plans managed by Wells Fargo. These funds are invested under separate investment policies which allow for investments in money market accounts, mutual funds, stocks and bonds. Through adherence to the plans' investment policies, management attempts to limit or mitigate certain risks. The Authority is responsible for the Plans' assets.

Defined Benefit Plan: The primary investment objective is to earn a rate of return sufficient to match or exceed the long-term growth of the Plan's liabilities through a combination of income and capital appreciation in a manner consistent with the fiduciary standards of ERISA and with sound investment practices. Assets are invested to minimize the chance of suffering market value losses. Assets are diversified into different styles with a prudent number of individual issues within each style to mitigate concentration risk.

Defined Contribution Plan: The overall objective is to enable eligible employees to save for retirement by providing a tax-deferred savings plan and offering enough funds from distinct asset classes to accommodate a broad range of individual investment goals. The Plan provides multiple investment alternatives, each with different risk and return characteristics, so that each participant can choose the potential return and risk levels as well as attain diversification among the alternatives. The Authority employs certain qualitative and quantitative measures to evaluate potential investment alternatives.

**(3) Capital Assets**

The Authority's capital assets represent investments in land, buildings, transit stations, infrastructure improvements, bus stops, street pads, bus turn-ins, motor coaches, trolleys, paratransit vehicles, sedans, vans, cars and trucks, garage equipment, facilities maintenance equipment, office equipment and information technology needed to conduct the Authority's operations.

Capital asset activities for the year ended December 31, 2012 is as follows:

	Balance at 12/31/2011	Additions / Transfers	Retirements	Balance at 12/31/2012
Assets Not Being Depreciated:				
Land	\$ 2,166,370	1,491,684	-	3,658,054
Construction in Progress	2,060,131	(1,334,873)	-	725,258
	<u>4,226,501</u>	<u>156,811</u>	<u>-</u>	<u>4,383,312</u>
Assets Being Depreciated:				
Buildings	16,741,830	1,043,727	(7,795)	17,777,762
Transit Stations, Bus Stops, Street Pads & Other Improvements	19,665,478	2,621,514	(95,639)	22,191,353
Improvements other than Buildings	1,715,273	2,125,576	(84,198)	3,756,651
Vehicles, Furniture and Equipment	43,654,372	7,481,068	(9,345,141)	41,790,299
	<u>81,776,953</u>	<u>13,271,885</u>	<u>(9,532,773)</u>	<u>85,516,065</u>
Total Capital Assets	<u>86,003,454</u>	<u>13,428,696</u>	<u>(9,532,773)</u>	<u>89,899,377</u>
Less: Accumulated Depreciation:				
Buildings	8,409,203	561,108	(7,796)	8,962,515
Transit Stations, Bus Stops, Street Pads & Other Improvements	13,581,341	1,436,063	(95,639)	14,921,765
Improvements other than Buildings	1,549,887	132,369	(84,198)	1,598,058
Vehicles, Furniture and Equipment	26,928,810	3,393,794	(9,345,140)	20,977,464
Total Accumulated Depreciation	<u>50,469,241</u>	<u>5,523,334</u>	<u>(9,532,773)</u>	<u>46,459,802</u>
Total Capital Assets, Net	\$ <u>35,534,213</u>	<u>7,905,362</u>	<u>-</u>	<u>43,439,575</u>



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Capital asset activities for the year ended December 31, 2011 is as follows:

	Balance at 12/31/2010	Additions / Transfers	Retirements	Balance at 12/31/2011
Assets Not Being Depreciated:				
Land	\$ 1,928,997	237,373	-	2,166,370
Construction in Progress	2,155,280	(95,149)	-	2,060,131
	<u>4,084,277</u>	<u>142,224</u>	<u>-</u>	<u>4,226,501</u>
Assets Being Depreciated:				
Buildings	16,741,830	-	-	16,741,830
Transit Stations, Bus Stops, Street Pads & Other Improvements	17,370,114	2,295,364	-	19,665,478
Improvements other than Buildings	1,695,710	19,563	-	1,715,273
Vehicles, Furniture and Equipment	40,831,599	3,405,839	(583,066)	43,654,372
	<u>76,639,253</u>	<u>5,720,766</u>	<u>(583,066)</u>	<u>81,776,953</u>
Total Capital Assets	<u>80,723,530</u>	<u>5,862,990</u>	<u>(583,066)</u>	<u>86,003,454</u>
Less: Accumulated Depreciation:				
Buildings	7,706,327	702,876	-	8,409,203
Transit Stations, Bus Stops, Street Pads & Other Improvements	12,396,170	1,185,171	-	13,581,341
Improvements other than Buildings	1,421,430	128,457	-	1,549,887
Vehicles, Furniture and Equipment	23,648,572	3,862,216	(581,978)	26,928,810
Total Accumulated Depreciation	<u>45,172,499</u>	<u>5,878,720</u>	<u>(581,978)</u>	<u>50,469,241</u>
Total Capital Assets, Net	\$ <u>35,551,031</u>	<u>(15,730)</u>	<u>(1,088)</u>	<u>35,534,213</u>



(4) Long – Term Liabilities

The Authority’s long-term liabilities are limited to Other Post Employment Benefits and the non-current portion of Compensated Absences. Authority employees are allowed to carry a maximum of 80 hours of accrued but unused personal leave as of December 31 into the next year. Unused personal leave in excess of 80 hours is forfeited. Sick leave can be carried over indefinitely and up to 240 hours can be paid to an employee retiring from the RTA. The following table shows the changes in long-term liabilities during 2012 and 2011:

Changes in Long Term Liabilities

2012	1/1/2012	Additions	Retirements	12/31/2012	Due Within One Year
Other Post Employment Benefits	\$ 490,898	37,436	2,713	531,047	-
Compensated Absences	282,191	431,116	(378,446)	334,861	258,394
Total Long Term Liabilities	\$ 773,089	468,552	(375,733)	865,908	258,394

2011	1/1/2011	Additions	Retirements	12/31/2011	Due Within One Year
Other Post Employment Benefits	\$ 383,756	166,482	(59,340)	490,898	-
Compensated Absences	270,017	352,100	(339,926)	282,191	207,174
Total Long Term Liabilities	\$ 653,773	518,582	(399,266)	773,089	207,174



(5) **Retirement Plans**

Defined Benefit Plan

Plan Description: The *RTA Employees Defined Benefit Plan and Trust* (DB Plan) is a single-employer defined benefit pension plan administered by the Authority and established upon the applicable sections of the Internal Revenue Code. The Authority Board may periodically amend the DB Plan document. The current plan provisions were established by a plan and trust agreement adopted by the Board of Directors in July 1986, and amended in July 1994, February 2002, November 2010 and December 2011.

Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The DB Plan assets are maintained under a trust agreement with Wells Fargo Bank (Trustee). The trustee carries out an investment policy established by the Authority Board consistent with purposes of the plan and all applicable laws. Administration costs are paid by the plan.

All full time employees are included in the plan. Vesting begins at three years of service with full vesting at seven years. Employees who retire on or after age 62 are entitled to an annual retirement benefit equal to 2% of average compensation for the final three consecutive years of employment times their number of years of service for the Authority. Reduced retirement benefits are available at age 55 with ten years of service. In December 2012, the plan was amended to allow those eligible for early retirement during a specified window without incurring the normal reduction in benefits. The plan is not indexed for inflation. As of January 1, 2012 there were 426 participants in this plan as follows:

Retirees and beneficiaries currently receiving benefits	80
Terminated and entitled to, but not yet receiving benefits	151
Active employees	195

Funding Policy: The Authority is the only source of contributions which are determined annually based on actuarial studies as of the valuation date. The contributions consist of a normal annual pension cost and amortization of any unfunded actuarial accrued liability (UAAL). Significant actuarial assumptions used in the valuations are as follows:

<i>Valuation Date</i>	<i>01/01/12</i>	<i>01/01/11</i>
<i>Cost Method</i>	<i>Entry Age Normal Cost</i>	<i>Entry Age Normal Cost</i>
<i>Inflation Rate</i>	<i>0.0%</i>	<i>0.0%</i>
<i>Investment Rate of Return – Pre Retire</i>	<i>7.50%</i>	<i>7.50%</i>
<i>Investment Rate of Return – Post Retire</i>	<i>7.50%</i>	<i>7.50%</i>
<i>Projected Salary Increases</i>	<i>3.50%</i>	<i>3.50%</i>
<i>Amortization Method</i>	<i>Level dollar amount over 15 years from 01/01/09</i>	<i>Level dollar amount over 15 years from 01/01/09</i>
<i>Remaining Amortization Period</i>	<i>12 Years</i>	<i>13 Years</i>
<i>Asset Valuation Method</i>	<i>Market Value</i>	<i>Market Value</i>

<i>Normal Cost as a percent of covered payroll</i>		
	9.2%	9.1%
<i>Annual Required Contribution</i>	\$1,125,651	\$ 886,742
<i>Contribution Made</i>	\$1,125,651	\$1,064,288

Annual Pension Cost and Net Pension Obligation: The following represents the components of the Annual Pension Cost (APC), contributions, interest and changes in the Net Pension Obligation (NPO) for the years ended December 31, 2012 and 2011:

	2012	2011
Annual Required Contribution (ARC)	\$ 1,125,651	\$ 886,742
Adjustment to ARC	21,351	-
Interest on Net Pension Asset	(13,316)	-
APC	1,133,686	886,742
Contribution Paid	(1,125,651)	(1,064,288)
Change in Net Pension Asset	(8,035)	177,546
Net Pension Asset – Beginning of Year	177,546	-
Net Pension Asset – End of Year	\$ 169,511	\$ 177,546

Trend Information: Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Such trend information as of January 1 for the end of the preceding fiscal years (actuarial valuation date) is as follows:

<u>Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Employer Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
2012	\$1,133,686	\$ 1,125,651	99%	\$ 169,511
2011	\$ 886,742	\$ 1,064,288	120%	\$ 177,546
2010	\$1,168,423	\$ 1,168,423	100%	-

Funded Status and Funding Progress: The funded status of the plan as of the most recent valuation date is as follows:

<u>January 1</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
2012	\$ 21,791,159	\$25,576,425	\$ 3,785,266	85.2%	\$ 7,221,526	52.42%
2011	\$ 21,547,899	\$23,682,639	\$ 2,134,740	91.0%	\$ 7,073,120	30.18%

A schedule of funding progress, presented as required supplementary information immediately following the notes to the financial statements, is intended to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities.

The Plan's assets are exposed to various risks such as interest rate, market, and credit risks. To meet the primary investment goal of a rate of return that will match or exceed the growth of the plans liabilities, while limiting risk, the plan assets are in high quality investments such as debt and equity mutual funds. The targeted mix to meet these objectives is 40% fixed income (debt) funds and 60% equity funds. At December 31, 2012, the Plan's net position was \$25,566,845, an increase of 17.3% since December 31, 2011. As a result, the annual required contribution for 2013 is estimated to be \$990,565 in comparison to the \$1,125,651 required contribution for 2012.

Financial Statements: The DB Plan does not issue a separate stand-alone financial report. Financial statements for the years ended 2012 and 2011 are as follows:

Statement of Fiduciary Net Position

December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Money Market Funds	\$ 516,351	632,414
Mutual Funds - Debt	9,668,138	5,830,618
Mutual Funds - Equity	<u>15,382,356</u>	<u>15,328,127</u>
TOTAL ASSETS	<u>25,566,845</u>	<u>21,791,159</u>
LIABILITIES		
	<u>-</u>	<u>-</u>
NET POSITION		
Assets Held In Trust For Pension Benefits	\$ <u>25,566,845</u>	<u>21,791,159</u>

Statement of Changes in Fiduciary Net Position
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Additions:		
Investment Income/(Loss)	\$ 3,399,160	(165,982)
Employer Contributions	1,125,651	1,064,288
Total Additions	<u>4,524,811</u>	<u>898,306</u>
Deductions:		
Benefits Paid	682,463	591,273
Administrative Expenses	66,662	63,773
Total Deductions	<u>749,125</u>	<u>655,046</u>
Increase in Net Position	3,775,686	243,260
Net Position, January 1	<u>21,791,159</u>	<u>21,547,899</u>
Net Position, December 31	<u>\$ 25,566,845</u>	<u>21,791,159</u>

Defined Contribution Plan

Plan Description: The *RTA Employees' Defined Contribution Plan* (DC Plan) covers all employees. This defined contribution plan has a plan document in compliance with the Internal Revenue Code and adopted by the Board, who may amend it.

Benefits depend on amounts contributed to the plan plus investment earnings. Employees are fully vested in their contributions. Employees direct their investments.

Funding Policy: Employees are required to contribute 7.51% of gross remuneration and may make additional contributions of up to 10%. The Authority may make contributions, but has made none to date. Total covered payrolls were \$8,379,258 in 2012 and \$7,990,096 in 2011. Employee contributions were \$673,604 in 2012 and \$681,496 in 2011. Employees may make selections from money market, debt and equity mutual funds approved by the investment committee.

Financial Statements: The DC Plan does not issue a separate stand-alone financial report. Financial statements for the years ended 2012 and 2011 are as follows:

Statement of Fiduciary Net Position
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Money Market Funds	\$ 1,486,237	1,233,253
Mutual Funds - Debt	1,099,697	745,788
Mutual Funds - Equity	5,899,703	5,626,606
<i>Total Assets</i>	<u>8,485,367</u>	<u>7,605,647</u>
LIABILITIES		
	-	-
NET POSITION		
Assets Held In Trust For Pension Benefits	\$ <u>8,485,367</u>	<u>7,605,647</u>

Statement of Changes in Fiduciary Net Position
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Additions:		
Investment Income (Loss)	\$ 891,030	(588,896)
Employee Contributions	673,604	681,496
<i>Total Additions</i>	<u>1,564,634</u>	<u>92,600</u>
Deductions:		
Benefits Paid	664,340	984,204
Administrative Expenses	20,304	22,699
<i>Total Deductions</i>	<u>684,644</u>	<u>1,006,873</u>
Increase/(Decrease) in Net position	879,990	(914,273)
Net Position, January 1	<u>7,605,647</u>	<u>8,519,920</u>
Net Position, December 31	\$ <u>8,485,637</u>	<u>7,605,647</u>

(6) Other Post Employment Benefits (OPEB) Plan

GASB Statement No. 45 established new accounting standards for postretirement benefits other than pensions. This standard does not require funding of OPEB, but does require that any difference between the annual required contribution (ARC) and the amount funded during the year be recorded in the employer's financial statements as an increase (or decrease) to the OPEB. The most recent actuarial valuation performed in accordance with the standard was dated January 1, 2012.

The 2012 valuation included changes in actuarial assumptions that reduced the annual required contribution. The changes resulting in a decrease to the annual required contribution:

- Only employees actually participating in the plan were included in the valuation; the previous valuation included all employees eligible to participate
- The estimate of the employees who would elect continued coverage upon retirement was reduced from 50% to 33% based on historical experience
- An updated actuarial table was used to predict retirement and turnover rates

Other changes resulted in increases to the annual required contribution partially offsetting the overall decrease.

- The discount rate was lowered from 4.5% to 4%
- The medical cost trend rate remains at 9% decreasing to 5% over time, but at a rate of .25% per year rather than .5% per year
- The mortality tables were updated

Plan Description: The Authority administers a single-employer defined benefit healthcare plan that allows access to medical benefits by eligible retirees and their families until the retiree reaches age 65. The Authority Board establishes benefit provisions. The plan is not accounted for as a fiduciary fund as an irrevocable trust has not been established to fund the plan. The plan does not issue a financial report.

Funding Policy: The Authority requires retirees to pay a portion of the monthly “blended” rates that apply to the group as a whole. Since retiree health care costs are generally higher than active employee healthcare costs, there is an implicit subsidy higher than the stated subsidy of the Authority. For 2012, \$627.99 was the required monthly contribution for retiree family coverage and \$246.44 for retiree single coverage. The Authority’s contributions are on a pay-as-you-go basis. As of the most recent valuation membership is as follows:

Retirees	3
Active	<u>176</u>
Total	<u>179</u>

Annual OPEB Cost and Net OPEB Obligation: The Authority's annual other post employment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Authority's annual OPEB cost, the amounts actually contributed toward the plan and changes in the net OPEB obligation are as follows:



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	<u>2012</u>	<u>2011</u>
Annual Required Contribution	\$ 45,097	\$ 172,772
Interest on OPEB Liability	19,636	17,269
Adjustment to the ARC	<u>(27,297)</u>	<u>(23,559)</u>
Annual OPEB Cost	37,436	166,482
Employer Contributions	<u>2,713</u>	<u>(59,340)</u>
Net Change in OPEB Liability	40,149	107,142
OPEB Liability at January 1	<u>490,898</u>	<u>383,756</u>
OPEB Liability at December 31	<u>\$ 531,047</u>	<u>\$ 490,898</u>

Trend Information: The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation At Year-End
2012	\$37,436	(7.2)%	\$531,047
2011	\$166,482	35.6%	\$490,898
2010	\$169,206	1.7%	\$383,756

Funded Status and Funding Progress: The funded status of the plan as of the most recent valuation dates is as follows:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Unit Cost	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL As Percentage of Payroll
01/01/12	\$ -	\$ 377,934	\$ 377,934	\$ 6,436,310	6%
01/01/10	\$ -	\$ 1,016,925	\$ 1,016,925	\$ 7,246,956	14%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost inflation. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A schedule of funding progress, presented as required supplementary information immediately following the notes to the financial statements, is intended to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time in relation to the actuarial accrued liability.



Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of cost-sharing between the Authority and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant assumptions used include the following:

<i>Valuation Date</i>	<i>01/01/12</i>	<i>01/01/10</i>
<i>Cost Method</i>	<i>Projected Unit Credit</i>	<i>Projected Unit Credit</i>
<i>Asset Valuation Method</i>	<i>Unfunded, Pay-as-you-go basis</i>	<i>Unfunded, Pay-as-you-go basis</i>
<i>Investment Rate of Return **</i>	<i>4.00%</i>	<i>4.50%</i>
<i>Annual Healthcare Cost Trend</i>	<i>9% initially, graded down to 5% in year 17</i>	<i>9% initially, graded down to 5% in year 9</i>
<i>Inflation Rate</i>	<i>2.50%</i>	<i>2.50%</i>
<i>Utilization</i>	<i>33% of eligible actives</i>	<i>50% of eligible actives</i>
<i>Amortization Period</i>	<i>30 Years</i>	<i>30 Years</i>
<i>Amortization Method</i>	<i>Level Dollar, Open</i>	<i>Level Dollar, Open</i>

*** Expected long term returns on Authority investments that will fund the benefits.*

(7) Risk Management and Insurance

The Authority is exposed to various risks of loss related to third party liability claims; theft of, damage to, and destruction of assets; errors and omissions and injuries to employees. The Authority has an inter-local agreement with the Texas Municipal League for the purpose of providing all-risk property coverage with various limits on property and equipment of the Authority.

As a governmental unit, Authority’s general and automobile liability are limited by the Texas Tort Claims Act to \$100,000 for each person and \$300,000 for each occurrence for bodily injury or death and \$100,000 for each occurrence for injury to or destruction of property.

The Authority operated a self-insurance program for workers’ compensation claims until 2004, at which point the Authority became fully insured through the Texas Municipal League. There is one continuing claim from self-insurance.

The Authority is self-funded for employee dental and healthcare benefits, which include medical, drug and vision. These benefits are provided through a contract with a third party administrator, Entrust, Inc. The coverage in force during 2012 includes specific deductibles for up to \$65,000 per individual claim and an annual aggregate estimated at \$1,600,000. Claims are normally paid within ninety days and are

considered current liabilities.

Claims or settlements have not exceeded coverage for each of the last three years.

Changes in liabilities for self-funded workers' compensation and health insurance liabilities for the years ended December 31, 2010, 2011 and 2012 are as follows:

	Workers' Compensation	Health and Dental Benefits
Balance at 12/31/09	\$ 25,776	\$ 111,694
Incurred Claims	-	1,090,198
Changes in Estimate	-	-
Claims Paid	(7,421)	(1,009,844)
Balance at 12/31/10	\$ 18,355	\$ 192,048
Incurred Claims	-	1,269,900
Changes in Estimate	24,592	-
Claims Paid	(21,695)	(1,181,257)
Balance at 12/31/11	\$ 21,252	\$ 280,691
Incurred Claims	-	1,119,460
Changes in Estimate	(6,133)	-
Claims Paid	(7,105)	(1,299,591)
Balance at 12/31/12	\$ 8,014	\$ 100,560

(8) Commitments and Contingencies

Expenditures financed by Federal grants are subject to audit by the granting agencies. In the event of any such audits, management is of the opinion that no significant liability will arise.

As of December 31, 2012 there was no major construction in progress.

As of December 31, 2011 the second phase of the Authority's Americans with Disabilities Act Transition Plan was substantially complete and the Authority had commitments of about \$1.3 million on additional projects to improve infrastructure and access at various stations and stops.

9) Concentrations

During 2012, the Authority received \$5,579,360 for capital assistance and \$3,226,061 for other projects from the Federal Transportation Administration.

During 2011, the Authority received \$4,857,596 for capital assistance and \$2,527,017 for other projects from the Federal Transportation Administration.

Changes in the Authority's relationship with the FTA could ultimately affect the operating results of the Authority. The Single Audit Section provides further details on FTA and other federal grant funding received.

(10) Purchased Transportation Services

The Authority has a contract with MV Transportation, Inc. to provide para-transit services for elderly and persons with disability and certain fixed route services. A contract executed December 1, 2008 established a term for these services from January 1, 2009 through December 31, 2011 with an option for the Authority to extend the contract for two additional one-year periods. The Authority exercised the first one-year extension which extended through December 31, 2012 and the second one-year extension which extends through December 31, 2013. Expenses under the contract amounted to \$4,645,917 in 2012 and \$4,366,360 in 2011. All passenger fares related to these transit services are recorded by the Authority as operating revenue.

APPENDIX F

Specimen Municipal Bond Insurance Policy

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

**Financial Advisory Services
Provided By:**

SWS | SOUTHWEST
GROUP | SECURITIES®
INVESTMENT BANKERS