Texas Water Development Board

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TO: Board Members

THROUGH: Jeff Walker, Executive Administrator
Rebecca Trevino, Chief Financial Officer
Todd Chenoweth, General Counsel

FROM: Georgia Sanchez, Development Fund Manager

DATE: July 8, 2019

SUBJECT: State Water Implementation Revenue Fund for Texas Fall 2019 Bond Sale

ACTION REQUESTED

Consider approving by resolution: (a) the issuance, sale and delivery of Texas Water Development Board bonds to support the State Water Implementation Revenue Fund for Texas program in one or more series; (b) the execution of an amendment to the Master Trust Indenture; (c) the execution of the Bond Indentures; (d) the execution of the State Water Implementation Fund for Texas Funds Transfer Agreement; (e) the Preliminary Official Statements; and (f) authorization for the Executive Administrator, Chief Financial Officer, Development Fund Manager, or any other authorized representative to act on behalf of the Texas Water Development Board in the sale and delivery of such bonds.

BACKGROUND

The Texas Water Development Board (TWDB) is authorized to issue revenue bonds associated with the State Water Implementation Revenue Fund for Texas (SWIRFT) under the Texas Constitution section 49-d-13 and Subchapter H, Chapter 15 of the Texas Water Code. SWIRFT bonds are issued to provide financial assistance to political subdivisions for projects included in the State Water Plan through the TWDB's State Water Implementation Fund for Texas (SWIFT) program.

On April 23, 2019, the TWDB initiated the process for the issuance of bonds to provide financing for SWIFT projects. Hilltop Securities Inc. was selected as financial advisor; McCall, Parkhurst & Horton L.L.P. as bond counsel and Bracewell LLP as disclosure counsel.

On June 24, 2019, the TWDB selected the underwriting syndicate. Bank of America Merrill Lynch will serve as senior managing underwriter for the transaction, and co-managing underwriters include Citigroup, FTN Financial Capital Markets, J.P. Morgan, Mesirow Financial, Morgan Stanley & Co., Piper Jaffray & Co., RBC Capital Markets, Ramirez & Co., Siebert Cisneros Shank & Co, and Wells Fargo Securities.

Our Mission

To provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for Texas

Board Members

Peter M. Lake, Chairman | Kathleen Jackson, Board Member | Brooke T. Paup, Board Member

Jeff Walker, Executive Administrator

Staff, in coordination with the consultants, has drafted the required documents for the issuance of SWIRFT Bonds. Attachments one through five include drafts of the Authorizing Resolution, Bond Indentures, SWIFT Funds Transfer Agreement, and Preliminary Official Statement. Non-substantive edits to update these documents prior to execution and publication are anticipated.

BOND TRANSACTION

The maximum par amount recommended for a Fall 2019 bond sale is $1,000,000,000. Final bond sizing will be determined by the amount and terms of financial assistance formally requested by the underlying SWIRFT political subdivisions as recorded in financing agreements executed prior to the pricing of the SWIRFT Bonds, as well as the costs of issuance.

Funds may be transferred from SWIFT to SWIRFT by a SWIFT Funds Transfer Agreement to provide security for the SWIRFT Bonds. The Executive Administrator recommends a not to exceed transfer amount of $120 million for the SWIFT Funds Transfer Agreement. The actual amount for the transfer will be determined after the SWIRFT Bonds are priced and the bond purchase agreement is signed.

Legislative Budget Board (LBB) and Bond Review Board (BRB) approvals are required for this transaction. A request to the LBB was submitted on July 17, 2019, and a response is expected August 6, 2019. After this date, the Executive Administrator will submit an application and related supporting documentation to the BRB under the exempt application process, and anticipates receiving a response prior to posting of the Preliminary Official Statement.

COSTS OF ISSUANCE

The costs of issuance for the transaction have been estimated at a not-to-exceed of $4.50 per bond for the underwriter's discount, and $980,000 for all other transaction-related fees and expenses. The estimated costs of issuance are appropriate, but may be negotiated further based on market conditions at the time of pricing.

SCHEDULE OF EVENTS

Below is a short summary of the preliminary schedule of events currently anticipated for this transaction:

- **April 23** TWDB initiated the bond issuance process and selected consultants
- **June 24** TWDB selected the underwriting syndicate
- **July 22** TWDB considers approval of the issuance/documents
- **September 5** Post Preliminary Official Statement
- **September 23** Bond pricing initiation
- **September 24** Bond pricing
- **October 3** TWDB adopts lending rate scales
- **October 10** Closing and delivery of the bonds

RECOMMENDATION

Consider approving by resolution: (a) the issuance, sale and delivery of Texas Water Development Board bonds to support the State Water Implementation Revenue Fund for Texas program in one or more series; (b) the execution of the Bond Indentures; (c) the execution of the State Water Implementation Fund for Texas Funds Transfer Agreement; (d) the Preliminary Official Statements; and (e) authorization for the Executive Administrator, Chief Financial Officer, Development Fund Manager, or any other authorized representative to act on behalf of the Texas Water Development Board in the sale and delivery of such bonds.

Attachments:

1 – Draft Authorizing Resolution
2 – Draft 2019A Bond Indenture
3 – Draft 2019B Bond Indenture
4 – Draft SWIFT Funds Transfer Agreement
5 – Draft Preliminary Official Statement

RESOLUTION AUTHORIZING THE ISSUANCE OF TEXAS WATER DEVELOPMENT BOARD STATE WATER IMPLENTATION REVENUE FUND FOR TEXAS REVENUE BONDS, IN ONE OR MORE SERIES, IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $1,000,000,000; APPROVING AND AUTHORIZING EXECUTION OF BOND INDENTURES PROVIDING FOR THE ISSUANCE OF THE BONDS OF EACH SERIES; APPROVING AND AUTHORIZING EXECUTION OF A SWIFT FUNDS TRANSFER AGREEMENT TO PROVIDE REVENUES IN SUPPORT OF THE BONDS; PROVIDING FOR THE SALE AND DELIVERY OF THE BONDS; AUTHORIZING THE SALE THEREOF BY NEGOTIATION PURSUANT TO THE TERMS OF A BOND PURCHASE AGREEMENT PERTAINING THERETO; APPROVING A PRELIMINARY OFFICIAL STATEMENT WITH RESPECT TO THE BONDS; AUTHORIZING EXECUTION OF SUCH OTHER AND FURTHER INSTRUMENTS, CERTIFICATES AND DOCUMENTS AS MAY BE REQUIRED FOR THE ISSUANCE OF THE BONDS; DIRECTING PAYMENT OF COSTS OF ISSUANCE AND CONTAINING OTHER PROVISIONS RELATING TO THE ISSUANCE OF THE BONDS.

WHEREAS, Article 3, Section 49-d-12 of the Texas Constitution ("Section 49-d-12") created the State Water Implementation Fund for Texas ("SWIFT") as a special fund in the state treasury outside the general revenue fund of the State of Texas (the "State") for the purpose of implementing the state water plan adopted by the Texas Water Development Board (the "Board") as required by general law; and

WHEREAS, Subchapter G of Chapter 15 of the Texas Water Code ("Subchapter G") provides the statutory framework for the administration and use of funds on deposit in SWIFT; and

WHEREAS, the Board is the designated agency of the State charged with the responsibility of administering the State Water Implementation Revenue Fund for Texas ("SWIRFT") under the provisions of Article 3, Section 49-d-13 of the Texas Constitution and Subchapter H of Chapter 15 of the Texas Water Code ("Subchapter H"); and

WHEREAS, pursuant to the provisions of Subchapter H, the Board is empowered to sell and issue revenue bonds in furtherance of the public purpose of providing financing or refinancing of any project within the scope of the state water plan adopted by the Board or other enumerated uses as set forth in subsection (a) of Section 15.474, Texas Water Code; and

WHEREAS, the Board has determined that the issuance of bonds, in one or more series, is in the best interests of the Board in the administration of SWIRFT and in making funds available to political subdivisions of the State ("Political Subdivisions") seeking financing of projects within the scope of the state water plan; and

WHEREAS, Section 15.435, Texas Water Code, provides that the Board and the Texas Treasury Safekeeping Trust Company (the "Trust Company") may enter into bond enhancement agreements to provide a source of revenue or security for the payment of general obligation

bonds and revenue bonds issued by the Board, if the proceeds of the sale of such bonds will be deposited to the credit of SWIRFT, or other enumerated funds as set forth in subsection (b) of Section 15.435, Texas Water Code; and

WHEREAS, in connection with the issuance of revenue bonds in 2015, the Board executed that certain Master Trust Indenture, dated as of October 1, 2015, between the Board and The Bank of New York Mellon Trust Company, National Association ("BNY"), as Master Trustee (the "Master Trust Indenture") in connection with the administration of SWIRFT, the issuance of Master Trust Bonds to augment SWIRFT, and in making funds available to Political Subdivisions seeking financing of projects within the scope of the state water plan; and

WHEREAS, in connection with the issuance of the bonds hereinafter described, the Board has determined that the execution of the Bond Indentures (as herein defined), is in the best interests of the Board in the administration of SWIRFT and in making funds available to Political Subdivisions seeking financing of projects within the scope of the state water plan; and

WHEREAS, the Board has heretofore selected BofA Securities, Inc. as senior manager of the underwriting team (the "Underwriters") selected by the Board for the bonds hereinafter described.

NOW, THEREFORE, BE IT RESOLVED:

1. The Board hereby finds, in connection with the sale, issuance and delivery of the bonds herein authorized to be sold, and the execution of the documents herein authorized:

(a) The SWIFT Funds Transfer Agreement between the Board and the Trust Company attached to this Resolution (the "Transfer Agreement") is a bond enhancement agreement under Section 49-d-12 and Subchapter G, and conforms to the requirements set forth in Section 15.435, Texas Water Code.

(b) After considering all other sources available to provide security or a source of revenues in support of the bonds herein authorized, the moneys made available to the Board pursuant to the Transfer Agreement are needed for debt service payments on the bonds herein authorized.

(c) Moneys received pursuant to the terms of the Transfer Agreement shall be used only to support projects within the scope of the State Water Plan (as defined in the hereinafter defined Bond Indentures), as provided in the Transfer Agreement.

(d) Moneys received from the sale of the bonds hereinafter described shall be deposited to the accounts within SWIRFT established in the Bond Indentures and used in the manner provided in the Bond Indentures.

2. The Board hereby authorizes the sale, issuance and delivery of one or more series of special, limited revenue obligations in aggregate principal amount not to exceed $1,000,000,000 (the "Bonds"), to be issued as tax-exempt obligations (the "Series 2019A Bonds") and as taxable

obligations (the "Taxable Series 2019B Bonds"), to provide financing for any State Water Plan projects, and to pay the costs of issuance of the Bonds. The Bonds shall be issued under the terms and provisions of the Master Trust Indenture and pursuant to the provisions of a Bond Indenture between the Board and BNY, as Bond Trustee, with respect to the Series 2019A Bonds (the "2019A Bond Indenture") and pursuant to the provisions of a Bond Indenture between the Board and BNY, as Bond Trustee, with respect to the Taxable Series 2019B Bonds (the "2019B Bond Indenture", and together with the 2019A Bond Indenture, the "Bond Indentures"), substantially in the form attached to this Resolution, with such changes as are made pursuant to paragraphs 3 and 5 of this Resolution. The Bonds shall be issued in fully registered form, without coupons, and shall mature at such times and in such amounts, shall bear interest, shall carry such registration and conversion privileges, shall be payable in such manner, shall be subject to redemption and shall have such other and further qualities and provisions as shall be specifically provided in accordance with the parameters set forth herein and the Bond Indentures. Proceeds of the Bonds shall be deposited to the accounts within SWIRFT established in the Bond Indentures. The Bonds are issued under authority of the laws of the State of Texas, including specifically Subchapter H and Chapter 1371, Texas Government Code.

3. The Executive Administrator, the Development Fund Manager and the Chief Financial Officer each is hereby authorized, empowered and directed to determine and establish the total principal amount of the Bonds, which in no event shall exceed $1,000,000,000, shall determine the date for issuance and sale of the Bonds and shall approve, execute and deliver a Purchase Agreement (defined herein) with the Underwriters and therein set forth the name and any special or additional series designation for the Bonds sold under the terms of such Purchase Agreement, the dated date of the Bonds, the principal amount of the Series 2019A Bonds and the Taxable Series 2019B Bonds to be sold (subject to the limitations set forth above), the prices at which the Bonds shall be sold, the principal amortization schedules for the Bonds (including, without limitation, the designation of any of the maturities of the Bonds as Term Bonds and any sinking fund payments to be deposited to the credit of the respective Debt Service Account relating to any Term Bond so designated), the redemption features of the Bonds, the rate or rates of interest to be borne by the Bonds (which, for any maturity, may not exceed 6.00% per annum), and other matters relating to the issuance, sale and delivery of the Bonds, including, without limitation, whether to acquire a municipal bond insurance policy or policies in support of all or any portion of the Bonds. The Purchase Agreement shall contain a finding substantially to the effect that based on recommendations made by the financial advisor to the Board, the terms of the sale of the Bonds were the most advantageous to the Board reasonably obtained, and the sale of the Bonds is in the best interests of the Board. The Bonds shall not mature more than forty (40) years from their dated date. In no event shall the Bonds be issued and delivered if (a) the Bonds do not bear a rating greater than "BBB" or its equivalent from a Rating Agency (as defined in the Bond Indentures) or (b) the Legislative Budget Board has issued a written disapproval of the issuance of the Bonds. The Executive Administrator, the Development Fund Manager and the Chief Financial Officer are hereby authorized, in the name and on behalf of the Board, to approve, distribute, and deliver a preliminary official statement (the "Preliminary Official Statement") and a final official statement relating to the Bonds to be used by the Underwriters in the marketing of the Bonds. A finding or determination made by the Executive Administrator, the Development Fund Manager and/or the Chief Financial Officer acting under the authority

delegated thereto by this Resolution with respect to all matters relating to the issuance and sale of the Bonds shall have the same force and effect as a finding or determination made by the Board.

4. The Preliminary Official Statement presented to the Board on this date pertaining to the Bonds is hereby approved and deemed final for purposes of distribution in connection with the public offering for sale of such obligations. Such form of the Preliminary Official Statement may be modified as appropriate in connection with the public offering and sale of Bonds, and the Executive Administrator is authorized on behalf of the Board to deem final the Preliminary Official Statement with respect to the public offering of the Bonds for purposes of distribution in connection with the public offering for sale of such obligations.

5. The Board hereby approves drafts presented on this date of the following documents pertaining to the Bonds, in substantially the form attached to this Resolution:

(a) Bond Indentures; and

(b) Transfer Agreement.

The Board hereby authorizes the Executive Administrator to review and approve any proposed non-material additions, deletions, modifications, or other changes to the above described documents from the forms thereof presented on this date. The determination made by the Executive Administrator with respect to any proposed non-material additions, deletions, modifications, or other changes to the above described documents shall have the same force and effect as a determination made by the Board.

6. The Board hereby directs the Trust Company to make disbursements from SWIFT in accordance with the terms of the Transfer Agreement in the Stated Amount (as defined in the Transfer Agreement) to provide a source of revenue and security for the payment of the principal of and interest on the Bonds. The foregoing notwithstanding, moneys on deposit in SWIFT remaining after the transfer of the Stated Amount are not intended to provide a source of revenue or security in support of the Bonds. Financial assistance to Political Subdivisions made with the proceeds of the Bonds will be made in a manner consistent with the provisions of Sections 15.435 and 15.474, Texas Water Code.

7. The sale of the Bonds to the Underwriters shall be effected pursuant to the terms of one Bond Purchase Agreement, or separate Bond Purchase Agreements, by and between the Board and BofA Securities, Inc. (the "Purchase Agreement"), as representative of the underwriters listed in each Bond Purchase Agreement (together with BofA Securities, Inc., the "Underwriters"), in substantially the form similar to bond purchase agreements previously executed by the Board in connection with negotiated sales of bonds by the Board, is hereby authorized; provided the precise principal amount of each series of the Bonds, date of the Bonds, the years in which the Bonds will mature and the principal amount to mature in each of such years, the rate of interest to be borne by each such maturity, purchase prices, interest payment and record dates, the prices and terms upon and at which the Bonds shall be subject to redemption prior to maturity at the option of the Board, as well as any mandatory sinking fund redemption provisions, and all other matters

relating to the issuance, sale, and delivery of the Bonds, shall be effected in accordance with the terms of Section 3 of this Resolution.

8. The Board hereby authorizes the Executive Administrator to approve fee agreements with BNY, as Bond Trustee, payable under the terms of the fee agreement in the manner provided through attachments in the Bond Indentures, as authorized by Section 15.474(c)(3), Water Code, as necessary and reasonable expenses incurred by the Board in administering SWIRFT.

9. Proceeds derived from the sale of the Bonds are hereby directed to be deposited with BNY, as bond trustee for the Bonds (the "Bond Trustee") for the Bonds, in accordance with the provisions of Article IV of the Bond Indentures.

10. The Bond Trustee is directed to pay costs of issuance of the Bonds from the Costs of Issuance Account established under the Bond Indentures pursuant to a letter of instructions prepared by the Board or its financial advisor.

11. The Executive Administrator, the Development Fund Manager or the Chief Financial Officer each is hereby authorized to approve and execute, for and on behalf of the Board, all other and further documents, instruments, agreements, representations and certifications necessary or attendant to the sale, issuance and delivery of the Bonds. The appropriate officers and employees of the Board are hereby authorized to take all action necessary or appropriate to comply with and carry out all provisions of such documents, instruments, representations and certifications. The Board authorizes the payment of the fee of the Office of the Attorney General of the State of Texas for the examination of the proceedings relating to the issuance of the Bonds, in the amount determined in accordance with the provisions of Section 1202.004, Texas Government Code, as amended.

ADOPTED this 22nd day of July, 2019.

TEXAS WATER DEVELOPMENT BOARD

(SEAL)

_____
Peter Lake, Chairman

ATTEST:

_____
Jeff Walker, Executive Administrator

BOND INDENTURE

Dated as of October 1, 2019

between

Texas Water Development Board

and

The Bank of New York Mellon Trust Company, National Association,
as Trustee

Authorizing and Securing

$_____
TEXAS WATER DEVELOPMENT BOARD
STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
REVENUE BONDS, SERIES 2019A (MASTER TRUST)

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BOND INDENTURE

THIS BOND INDENTURE (the *"Indenture"*), dated as of October 1, 2019, between the TEXAS WATER DEVELOPMENT BOARD, an agency of the State of Texas (the *"Board"*), and THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association with trust powers duly organized, validly existing and authorized to accept and execute trusts of the character herein set out by virtue of the laws of the state of Texas, with a corporate trust office located in Houston, Texas, as Trustee (the *"Trustee"*);

WITNESSETH:

WHEREAS, pursuant to the Constitution and the laws of the State of Texas (the *"State"*), and particularly Chapter 15, Subchapter H of the Texas Water Code (*"Subchapter H"*), the Board is authorized to issue revenue bonds to provide money for the State Water Implementation Revenue Fund for Texas (*"SWIRFT"*); and

WHEREAS, under Subchapter H, the Board is authorized to use money in SWIRFT only to provide financing or refinancing for any State Water Plan Project, as defined herein; and

WHEREAS, under Subchapter H, the Board is authorized to provide for the management of SWIRFT and any accounts within SWIRFT by a corporate trustee that is a trust company or a bank that has the powers of a trust company, for and on behalf of the Board; and

WHEREAS, to facilitate the issuance of revenue bonds under Subchapter H, the Board executed and delivered a Master Trust Indenture, dated as of October 1, 2015, between the Board and The Bank of New York Mellon Trust Company, National Association, acting in the capacity of Master Trustee (the *"Master Trust Indenture"*); and

WHEREAS, the Board has determined to issue under this Indenture a series of bonds pursuant to Subchapter H to be designated TEXAS WATER DEVELOPMENT BOARD STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS REVENUE BONDS, SERIES 2019A (MASTER TRUST) (the *"Bonds"*), in the aggregate principal amount of $_____ for the purpose of providing funds in furtherance of Subchapter H to provide financing for any State Water Plan Project, and to pay the costs of issuance of the Bonds; and

WHEREAS, pursuant to a resolution adopted by the Board on July 22, 2019 (the *"Authorizing Resolution"*), the Board is authorized to execute and deliver this Indenture for the purpose of issuing and securing the Bonds as hereinafter provided; and

WHEREAS, all acts and things have been done and performed which are necessary to make the Bonds, when executed and issued by the Board, authenticated by the Trustee and delivered, the legal, valid and binding special, limited obligations of the Board in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent applicable, and to make this Indenture a valid and binding agreement for the security of Bonds authenticated and delivered under this Indenture;

GRANTING CLAUSES

NOW, THEREFORE, in consideration of the acceptance by the Trustee of the trusts and duties set forth in this Indenture on behalf of the holders and owners of all Bonds issued and secured hereunder; of the purchase and acceptance of the Bonds issued and secured by this Indenture by the holders and owners thereof; of the payment of the purchase price of the Bonds to the Trustee for application as provided hereinafter; and in order to secure the payment of any and all Bonds at any time issued and outstanding hereunder, according to the tenor and effect thereof and the interest thereon, the payment of all costs, fees and charges specified herein, and the payment of all other sums, if any, from time to time due to the holders and owners of all Bonds issued and secured hereunder and to the Trustee or its successors and assigns, or to others, according to the intent and meaning of all such Bonds and this Indenture, and for the purpose of securing the performance and observance by the Board of all the covenants and conditions herein contained, the Board has conveyed, transferred, assigned, confirmed, pledged and granted a security interest to, and does hereby convey, transfer, assign, confirm, pledge and grant a security interest to, the Trustee, and its successor or successors in trust, as Trustee for the benefit of the holders and owners of all Bonds issued and secured hereunder, in the following described properties, rights, interest and benefits, whether movable or immovable, real, personal or mixed, tangible or intangible (which are collectively called the *"Trust Estate"* or the *"Security"*):

GRANTING CLAUSE FIRST

All right, title and interest of the Board in and to the Political Subdivision Obligations set forth on Exhibit B made with the proceeds of the Bonds, as such Exhibit may be supplemented and amended from time to time in accordance with the terms of this Indenture, including the interest of the Board in and to all proceeds, fees, charges, Revenues, income, rentals, receipts, issues and benefits under the Political Subdivision Obligations, and the Repayments, as hereinafter defined, and all financing statements or other agreements, instruments or documents evidencing, securing or otherwise relating to the Political Subdivision Obligations and the Repayments;

GRANTING CLAUSE SECOND

All right, title and interest in and to any and all other property, movable or immovable, real, personal or mixed, tangible or intangible, from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred, as and for additional security hereunder, by the Board or by anyone on behalf of the Board or with its written consent to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of this Indenture; and

GRANTING CLAUSE THIRD

All cash, moneys, securities, investments and interest earnings and investment income on such securities and investments, including specifically Political Subdivision Obligations not set forth on Exhibit B hereto and any moneys transferred to the Trustee in accordance with the

Master Trust Indenture, which may at any time and from time to time, pursuant to the provisions of this Indenture, be paid to the Trustee or held by the Trustee in the funds and accounts created under this Indenture, except for (i) the interest of the Trustee in such cash, moneys, securities and investments as may otherwise appear in this Indenture, (ii) moneys on deposit in the Costs of Issuance Account and the Rebate Fund, and (iii) amounts designated or required to be used to pay arbitrage rebate, whether held in the Rebate Fund;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all owners of the Bonds issued under and secured by this Indenture without privilege, preference, priority or distinction as to lien or otherwise, except as otherwise may be provided herein, of any of the Bonds over any other of the Bonds by reason of priority in their issuance or of principal over interest or interest over principal;

PROVIDED, HOWEVER, that if the Board, its successors or assigns, shall well and truly pay, or cause to be paid, the principal of the Bonds and the redemption premium, if any, and interest due or to become due thereon, at the times and in the manner mentioned in the Bonds according to the true intent and meaning thereof, or shall provide, as permitted and provided by Article IX hereof, for the payment thereof and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions of this Indenture, then this Indenture and the rights hereby granted to the Trustee pursuant to this Indenture by the Board shall cease, determine and be void, otherwise this Indenture shall continue to be and remain in full force and effect;

MONEYS HELD IN or credited to the State Water Implementation Fund for Texas ("*SWIFT*") are not part of the Trust Estate and are not Security for the Bonds.

It is expressly declared that all the Bonds are to be issued, authenticated and delivered and the Trust Estate hereby pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed and the Board has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective holders and owners, from time to time, of the Bonds, or any interest therein, as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. The words and terms defined in the preamble to this Indenture and in this Section shall for all purposes of this Indenture have the meanings herein specified, unless the context clearly otherwise requires. Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa and the words "hereof" and "herein" shall be construed to refer to the entirety of this Indenture, and shall not be restricted to the particular Article, Section, subsection or paragraph in which they appear.

References to any constitutional, statutory or regulatory provision means such provision as it exists on the date of this Indenture and any future amendments thereto or successor provisions thereof. References to any officer or designated position (e.g., Executive Administrator) include any Person acting in the capacity of such officer or designated position, whether on an acting, interim or permanent basis.

"*Act*" means Subchapter H.

"Advisory Committee" means the State Water Implementation Fund for Texas Advisory Committee established under the provisions of Subchapter G.

"*Affiliate*" means, with respect to the Trustee, any Person directly or indirectly controlling, controlled by, or under common control with, the Trustee.

"Assistance Account" means the account so designated and established by Section 4.1 of this Indenture.

"Authorized Denominations" means $5,000 or any integral multiple thereof.

"*Authorizing Resolution*" means the resolution adopted by the Board on July 22, 2019, authorizing the issuance of the Bonds and the execution of this Indenture.

"*Beneficial Owner"* or *"beneficial owner"* shall mean any Person who acquires a beneficial ownership interest in a Bond held by DTC or any successor Securities Depository hereunder. In determining the Beneficial Owner of the Bond, the Trustee may rely conclusively upon written representations made and written information given to the Trustee by DTC or any successor Securities Depository hereunder or their respective participants with respect to any Bond held by DTC or any successor Securities Depository hereunder in which a beneficial interest is claimed.

"Board" means the Texas Water Development Board.

"Board Representative" means the Executive Administrator, the Chief Financial Officer of the Board, the Development Fund Manager, and any other member, officer or employee of the Board authorized by resolution of the Board to perform the act or sign the document in question.

"Bond Counsel" means McCall, Parkhurst & Horton L.L.P, or other counsel selected by the Board and acceptable to the Trustee and nationally recognized as experienced in matters relating to bonds issued by states and their political subdivisions.

"Bondholder", "Bondowner", "holder" or *"owner"* or any similar term, when used with reference to a Bond or Bonds, means any Person who shall be the registered owner of any Outstanding Bond or Bonds.

"Bond Register" means the registration record maintained by the Bond Registrar under Section 2.6 of this Indenture.

"*Bond Registrar*" means the Trustee.

"*Bonds*" means the Texas Water Development Board State Water Implementation Revenue Fund for Texas Revenue Bonds, Series 2019A (Master Trust) of the Board, issued in the original aggregate principal amount of $_____, pursuant to this Indenture.

"*Business Day*" means any day other than a Saturday, a Sunday or any other day on which commercial banking institutions in New York, New York, or the city which the designated corporate trust office of the Master Trustee are authorized or required to be closed.

"*Code*" means the Internal Revenue Code of 1986, as may be amended from time to time, and all applicable temporary, proposed and final regulations and procedures promulgated under the Code or promulgated under the Internal Revenue Code of 1954, to the extent applicable to the Code (the "*Treasury Regulations*").

"*Comptroller*" means the Texas Comptroller of Public Accounts.

"*Costs of Issuance*" means the costs of issuance of the Bonds as certified by the Board on the Date of Delivery.

"*Costs of Issuance Account*" means the account so designated and established by Section 4.1 hereof.

"*Coverage Requirement*" has the meaning as set forth in Section 5.10 of this Indenture.

"*Date of Delivery*" means the initial date of delivery of the Bonds by the Board to the initial purchasers thereof.

"*Debt Service Account*" means the account so designated and established by Section 4.1 of this Indenture.

"*Defeasance Securities*" means (i) Federal Securities, (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 the Board adopts or approves proceedings authorizing the issuance of refunding bonds or, if such defeasance is not in connection with the issuance of refunding bonds, on the date the Board provides for the funding of an escrow to effect the defeasance of the Bonds, 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 the Board adopts or approves proceedings authorizing the issuance of refunding bonds or, if such defeasance is not in connection with the issuance of refunding bonds, on the date the Board provides for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally-recognized investment rating firm not less than "AAA" or its equivalent, or (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under the then applicable laws of the State.

"Disclosure Counsel" means Bracewell LLP, or other counsel selected by the Board and nationally recognized as experienced in matters relating to bonds issued by states and their political subdivisions.

"DTC" has the meaning as set forth in Section 2.10 of this Indenture.

"*DTC Participant*" means the securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions.

"*Electronic Means*" shall mean the following communications methods: email, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

"EMMA" means the Electronic Municipal Market Access system.

"Events of Default" means any one or more of the events specified as such in Section 6.1 of this Indenture.

"Federal Securities" means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America.

"Fitch" means Fitch Ratings, Inc., and its successors and assigns.

"Indenture" means this Bond Indenture, as supplemented or amended by any Supplemental Indenture.

"Interest Payment Date" means April 15, 2020, and each October 15 and April 15 thereafter until maturity or prior redemption of the Bonds.

"Investment Agreement" means any of the following:

(1) any investment agreement with financial institutions whose long-term obligations are rated within the top two rating categories (without regard to gradations within the rating category) of any nationally recognized rating service or whose short-term obligations are rated within the top rating category of any nationally recognized rating service;

(2) any investment agreement rated within the top two rating categories of any nationally recognized rating service; and

(3) any investment agreement fully secured by Federal Securities.

"Investment Securities" means any of the following:

(1) Federal Securities;

(2) Investment Agreements;

(3) Demand deposits, including interest bearing money market accounts, time deposits, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits, other deposit products, certificates of deposit, including those placed by a third party pursuant to an agreement between the Trustee and the Board, or bankers acceptances of depository institutions, including the Trustee or any of its Affiliates;

(4) The following bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed full faith and credit of the United States of America (stripped securities being permitted only if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the United States Export-Import Bank, (ii) participation certificates and guaranteed pool certificates of the Small Business Administration; (iii) debentures of the Federal Housing Administration; (iv) guaranteed mortgage-back bonds and guaranteed pass-through obligations of the Government National Mortgage Association; and (v) project notes, local authority bonds, guaranteed debentures and guaranteed public housing notes and bonds of the United States Department of Housing and Urban Development;

(5) The following bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States government agencies (stripped securities being permitted only if they have been stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association; (iv) obligations of the Resolution Funding Corporation; and (v) obligations of the Federal Farm Credit Banks Funding Corporation;

(6) Money market funds registered under the Investment Company Act of 1940, the shares of which are registered under the Securities Act of 1933, and having a rating of no less than “AA” or its equivalent from a nationally recognized rating agency, including those for which the Trustee or an Affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise;

(7) Commercial paper, with a maturity not greater than 270 days, and rated, at the time of purchase, “Prime-1” by Moody’s, “F1” or better by Fitch or “A-1” or better by S&P;

(8) General obligation bonds, notes or other obligations of states that are rated within the top two rating categories (without regard to gradations within the rating category) from a nationally recognized rating agency;

(9) Pre-refunded municipal obligations meeting the following conditions: (i) such obligations are (a) not to be redeemed prior to maturity or irrevocable instructions concerning their calling and redemption have been given and (b) the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions; (ii) such

obligations are secured by Federal Securities that may be applied only to interest, principal, and premium payments of such obligations; (iii) the principal of and interest on such Federal Securities (plus any cash in the escrow fund with respect to such pre-refunded obligations) are sufficient to meet the liabilities of the obligations; (iv) the Federal Securities are serving as security for the obligations are held by an escrow agent or trustee; and (v) such Federal Securities are not available to satisfy any other claims, including those against the escrow agent or trustee;

(10) Repurchase agreements that conform to the provisions of the Public Funds Investment Act (Chapter 2256 of the Texas Government Code); and

(11) Federal funds or bankers' acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "A-1/Prime-1" or "Aa3" or better by Moody's and "F1" or "A" or better by Fitch and "A-1" or "A" or better by S&P at the time of the investment.

Ratings of Investment Securities shall be determined at the time of purchase of such Investment Securities and without regard to ratings subcategories, and the Trustee shall have no responsibility to monitor the ratings thereof. Moneys shall be invested in the manner permitted by the laws of the State, including, without limitation, Subchapter H.

"*Master Trust Bonds*" means all bonds of the Board at any time outstanding and secured under the Master Trust Indenture.

"*Master Trust Indenture*" means the Master Trust Indenture, dated as of October 1, 2015, between the Board and the Master Trustee, as further amended and supplemented.

"*Master Trustee*" means The Bank of New York Mellon Trust Company, National Association, Houston, Texas, as master trustee under the Master Trust Indenture, and any successor trustee pursuant to the Master Trust Indenture at the time serving as Master Trustee thereunder.

"*Moody's*" means Moody's Investors Service, Inc., and its successors and assigns.

"*MSRB*" means the Municipal Securities Rulemaking Board.

"*Officer's Certificate*" means a certificate of the Board signed by a Board Representative.

"*Outstanding*" or "*outstanding under this Indenture*" or "*outstanding hereunder*", when used with reference to the Bonds, means, at any date as of which the amount of Outstanding Bonds is to be determined, the aggregate of all Bonds authorized and issued by the Board and authenticated and delivered by the Trustee under this Indenture, except:

(a) Bonds cancelled or surrendered to the Trustee for cancellation pursuant to Section 2.9 hereof on or prior to such date;

(b) Bonds deemed to have been paid as provided in Section 9.1 hereof; and

(c) Any Bond in lieu of or in substitution for which another Bond or Bonds shall have been issued by the Board and authenticated and delivered by the Trustee pursuant to this Indenture, unless proof satisfactory to the Trustee is presented that such Bond is held by a *bona fide* holder in due course.

In determining whether the holders of a requisite aggregate principal amount of Bonds Outstanding have concurred in any request, demand, authorization, direction, notice or waiver under this Indenture, Bonds which are owned by the Board shall be disregarded and deemed not to be outstanding for the purpose of any such determination; *provided, however*, that for the purpose of determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, or waiver, only Bonds which the Trustee knows to be so owned shall be so disregarded.

"*Paying Agent*" means any paying agent for the Bonds (initially, the Trustee) and its successor or successors appointed pursuant to the provisions of this Indenture.

"*Payment Date*" means an Interest Payment Date or a Principal Payment Date.

"*Person*" shall mean an individual or an entity, including, without limitation, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, an unincorporated organization, a governmental body or a Political Subdivision, a municipal corporation, a public corporation or any other group or organization of individuals.

"*Political Subdivision*" has the meaning specified for that term in Section 15.001(5), Texas Water Code. For purposes of this Indenture, the term "*Political Subdivision*" does not include a Water Supply Corporation.

"*Political Subdivision Obligation*" means each bond, note, agreement or other evidence of indebtedness purchased from or entered into by the Board with a Political Subdivision, evidencing the obligation of the Political Subdivision to repay the financial assistance made or incurred pursuant thereto from the proceeds of the Bonds, as further described in Exhibit B attached hereto. The term "*Political Subdivision Obligation*" excludes any Political Subdivision Obligation released pursuant to Section 5.10 of this Indenture from and after such release and includes any Political Subdivision Obligation substituted pursuant to Section 5.10 of this Indenture from and after such substitution.

"*Portfolio Account*" means the account so designated and established by Section 4.1 of this Indenture.

"*Prepayment*" shall mean any amount received by the Board from payment of principal of a Political Subdivision Obligation, which amount is received prior to the scheduled payment date of such Political Subdivision Obligation.

"*Principal Payment Date*" means April 15 in each of the years 20__ through 20__, and on April 15, 20__, and on October 15 in each of the years 20__ through 20__, and on October 15 in each of the years 20__ and 20__, until maturity or prior redemption of the Bonds. A Principal Payment Date includes a mandatory sinking fund redemption date of the Bonds.

"*Program Account*" means the account by that name established by Section 301 of the Master Trust Indenture.

"*Project Financing Account*" means the account so designated and established by Section 4.1 of this Indenture.

"*Rating Agencies*" means any rating agency that, at the request of the Board, has issued and is currently maintaining a rating on the Bonds.

"*Rebate Fund*" means the fund so designated and established by Section 4.1 of this Indenture.

"*Record Date*" means the last Business Day of the calendar month next preceding each Interest Payment Date.

"*Redemption Date*" means the date all or a portion of the Bonds are scheduled for redemption prior to maturity, through the exercise of rights reserved by the Board to effect an optional redemption of Bonds.

"*Repayment*" means any payment due and payable by a Political Subdivision in repayment of its Political Subdivision Obligation.

"*Representation Letter*" has the meaning as set forth in Section 2.10 of this Indenture.

"*Revenue Account*" means the account so designated and established by Section 4.1 of this Indenture.

"*Revenues*" means all Repayments paid to or for the account of the Board and any other payments made to or for the account of the Board by the Political Subdivisions under their Political Subdivision Obligations.

"*Rul*e" means SEC Rule 15c2-12.

"*S&P*" means S&P Global Ratings, a business unit of Standard & Poor's Financial Service LLC, and its successors and assigns.

"*SEC*" means the United States Securities and Exchange Commission.

"*Security*" or "*Trust Estate*" is defined in the Granting Clauses to this Indenture.

"Securities Depository" means any "clearing agency" registered under Section 17A of the Securities Exchange Act of 1934, as amended, other than DTC, holding the Bonds in a book-entry-only system pursuant to Section 2.10 hereof.

"Significant Borrower" means any Political Subdivision whose outstanding aggregate principal amount of bonds issued by such Political Subdivision and held, on and after April 1, 2019, in the Portfolio Account comprises at least twenty percent (20%) in aggregate principal amount of all Political Subdivision Obligations held in the Portfolio Account.

"State" means the State of Texas.

"State Water Plan" means the comprehensive water plan for the State prepared, developed, formulated and adopted by the Board no less often than every five (5) years pursuant to Subchapter C of Chapter 16 of the Texas Water Code. For purposes of this Indenture, the term *"State Water Plan"* means the comprehensive water plan for the State adopted by the Board on May 19, 2016, as amended, effective for the next succeeding five (5) year period.

"State Water Plan Bonds" means, for purposes of this Indenture, revenue bonds (including the Bonds) issued by the Board, or agreements executed by the Board, to finance State Water Plan Projects in accordance with the laws of the State, specifically revenue bonds issued under authority of Subchapter H that shall be payable from designated income and receipts of SWIRFT, including principal of and interest paid and to be paid on assets of SWIRFT or income from accounts created within SWIRFT by the Board.

"Subchapter G" means Subchapter G of Chapter 15 of the Texas Water Code.

"Subchapter H" means Subchapter H of Chapter 15 of the Texas Water Code.

"Supplemental Indenture" or *"indenture supplemental hereto"* means any indenture supplemental to or amendatory of this Indenture as originally executed, which is duly executed in accordance with the provisions of this Indenture.

"Surplus Revenue Account" means the account so designated and established by Section 4.1 of this Indenture.

"SWIFT" means the State Water Implementation Fund for Texas, created pursuant to Article 3, Section 49-d-12 of the State Constitution, as supplemented and amended.

"SWIRFT" means the State Water Implementation Revenue Fund for Texas, created pursuant to Article 3, Section 49-d-13 of the State Constitution, as supplemented and amended.

"Transfer Account" means the account by that name established by Section 302 of the Master Trust Indenture.

"Trustee" means The Bank of New York Mellon Trust Company, National Association, a national banking association, and any successor trustee pursuant to Section 7.5 or Section 7.9 hereof at the time serving as Trustee under this Indenture.

"TTSTC" means the Texas Treasury Safekeeping Trust Company.

"*Water Supply Corporation*" means a nonprofit water supply corporation created and operating under Chapter 67 of the Texas Water Code.

Section 1.2. Security for Bonds and Sources of Payments; Perfection of Security Interest. (a) The Bonds and the interest and any premium thereon shall be special, limited obligations of the Board secured by and payable solely from the Security. The Board hereby pledges and grants a lien on the Security to secure payment of the principal of, premium, if any, and interest on the Bonds and the respective owners thereof shall have a valid claim only against the Security and other funds and accounts, which Security and other funds and accounts are hereby pledged for the equal and ratable payment of the Bonds and the premium, if any, and interest thereon and shall be used for no other purpose other than to pay the principal of and premium, if any, and interest on the Bonds, except as may be otherwise expressly authorized in this Indenture. The Bonds and the premium, if any, and interest thereon shall not now and shall never constitute an indebtedness or an obligation, general or moral, or a pledge of the faith or loan of credit of the Board or the State, within the purview of any constitutional limitation or provision, and shall never constitute or give rise to a charge against the faith and credit or taxing powers, if any, of the Board or the State, but shall be special, limited obligations of the Board, payable solely from the Trust Estate established hereunder and the Master Trust Indenture, the proceeds from the sale of the Bonds and the income from the temporary investment thereof. The Board has no taxing power.

(b) Chapter 1208 of the Texas Government Code applies to the issuance of the Bonds and the pledge of the revenues made pursuant to this Indenture, and such pledge is therefore valid, effective and perfected. If State law is amended at any time while the Bonds are outstanding and unpaid such that such pledge is to be subject to the filing requirements of Chapter 9 of the Texas Business and Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the Board agrees to take such measures as it determines are reasonable and necessary under State law to comply with the applicable provisions of Chapter 9 of the Texas Business and Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 1.3. Day Counting. With respect to the interest on the Bonds, all computations hereunder involving numbers of days shall be made on the basis of a 360-day year consisting of twelve 30-day months.

ARTICLE II

GENERAL TERMS AND PROVISIONS OF BONDS

Section 2.1. Authorized Amount of Bonds. There is hereby authorized for issuance under this Indenture one series of Bonds designated "TEXAS WATER DEVELOPMENT BOARD STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS REVENUE BONDS, SERIES 2019A (MASTER TRUST)" in the original aggregate principal amount of $_____. No Bonds may be issued under the provisions of this Indenture except in accordance with this Article II.

Section 2.2. Terms of Bonds. (a) The Bonds shall be dated the Date of Delivery, shall mature on the dates and in the principal amounts and shall bear interest at the interest rates per annum as follows:

MATURITY SCHEDULE

Date	Principal Amount ($)	Interest Rate	Date	Principal Amount ($)	Interest Rate

(b) Each Bond shall bear interest from its Date of Delivery, or from the most recent date to which interest has been paid or duly provided for, payable semiannually on each Interest Payment Date. Interest shall be computed on the basis described in Section 1.3 of this Indenture.

(c) The Bonds are subject to redemption prior to maturity as set forth in Section 2.3 of this Indenture.

(d) The Bonds shall be issued in Authorized Denominations. The Bonds shall be lettered R and numbered from one consecutively upwards in order of issuance according to the Bond Register maintained by the Trustee as Bond Registrar or in such other manner as shall be determined by the Bond Registrar. The Bonds issued under this Indenture and the Trustee's certificate of authentication to be endorsed on all such Bonds shall be substantially in the form in Exhibit A attached hereto and made a part hereof, with such appropriate variations, additions and omissions as are permitted or required by this Indenture. The Bonds may have such letters, numbers or other identifying marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures (*"CUSIP"*) provided by S&P Global Market Intelligence on behalf of the American Bankers Association and such legends and endorsements thereon as may, consistent herewith, be approved by the Board Representative.

(e) The Trustee is hereby designated as and agrees to act as Paying Agent and Bond Registrar for and with respect to the Bonds.

(f) The principal of and premium, if any, and interest on the Bonds shall be paid by the Trustee to the registered owner of such Bond as shown on the Bond Register at the close of

business on the Record Date, (1) by check or draft mailed on the Payment Date to such registered owner at the address as it appears on the Bond Register at the close of business on the Record Date, or (2) at the written request addressed to the Trustee by any registered owner of Bonds in the aggregate principal amount of at least $1,000,000, by electronic wire transfer in immediately available funds to a bank in the continental United States for credit to the ABA routing number and account number filed with the Trustee no later than five (5) Business Days before the applicable Record Date.

Section 2.3. Redemption; Notice of Redemption. (a) The Bonds shall be subject to optional or mandatory sinking fund redemption by the Board prior to maturity in the manner and at the redemption price, as may be provided in this Section 2.3, and as further described in the Form of Bond. The Bonds are subject to redemption at the option of the Board, at any time and from time to time, in whole or in part, at the redemption price determined in the manner described in the Form of Bond. Bonds to be redeemed pursuant to the optional redemption provisions above shall be selected from the maturities and in the principal amounts as shall be determined by the Board. The exercise by the Board of its option to redeem any Bonds shall be evidenced by an Officer's Certificate and delivered to the Trustee at least forty-five (45) days prior to the Redemption Date fixed by the Board (unless a shorter notice shall be satisfactory to the Trustee), of such Redemption Date and, in case of any redemption at the election of the Board of less than all the Outstanding Bonds, of the respective principal amounts of the Bonds called for redemption.

(b) The Trustee shall select the Bonds, or portions thereof, to be redeemed from each maturity by lot, in such manner as it shall in its discretion determine.

(c) Unless waived by any Bondholder of Bonds to be redeemed, official notice of any redemption of Bonds shall be given by the Trustee on behalf of the Board by (i) publishing the redemption notice once in a financial publication, journal or reporter of general circulation among securities dealers in The City of New York, New York or in the State of Texas at least thirty (30) days prior to the date fixed for redemption of the Bonds, and (ii) mailing a copy of an official redemption notice by United States mail, first class, postage prepaid, at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to the Bondholder of the Bond or Bonds to be redeemed at the address shown on the Bond Register; *provided, however*, that the failure to send, mail or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond, and it is hereby specifically provided that the giving of such notice as required above shall be the only notice actually required in connection with or as a prerequisite to the redemption of any of the Bonds or portions thereof. The distribution of any such notice of redemption of Bonds to be redeemed shall be given by the Trustee in the name of the Board and at the expense of the Board.

(d) All official notices of redemption shall be dated, and shall state:

(1) the date fixed for redemption,

(2) the redemption price,

(3) the CUSIP numbers of all Bonds being redeemed (*provided, however*, that such notice may contain a disclaimer as to the accuracy of such numbers),

(4) if less than all Outstanding Bonds are to be redeemed, the identification and the respective principal amounts of the Bonds to be redeemed,

(5) that on the date fixed for redemption the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and

(6) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the designated payment office of the Trustee.

(e) In addition to the foregoing notice, further notice shall be given by the Trustee on behalf of the Board as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

(1) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption, plus (i) the CUSIP numbers of all Bonds being redeemed (*provided, however*, that such notice may contain a disclaimer as to the accuracy of such numbers); (ii) the date of issuance of the Bonds as originally issued; (iii) the rate of interest borne by each Bond being redeemed; (iv) the maturity date of each Bond being redeemed; and (v) any other descriptive information as may be determined by the Board to be needed to identify accurately the Bonds being redeemed.

(2) Each further notice of redemption shall be sent one day prior to the date of mailing such notice to the owners of the Bonds by registered or certified mail or overnight delivery service to DTC and by facsimile or electronic transmission to EMMA or, upon the advice of Disclosure Counsel, one or more national information services that disseminate notices of redemption of obligations such as the Bonds.

(f) Upon the payment of the redemption price of Bonds being redeemed, each check or, at the best efforts of the Trustee, other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

(g) Notice of an optional redemption permitted by subsection (a) of this Section 2.3 may be made conditional upon the occurrence of events as shall be specified in such notice. The Trustee shall rescind such notice of the optional redemption of Bonds in accordance with this Section in the event moneys available solely for such optional redemption in accordance with the requirements of this Section and sufficient to pay the Bonds called for optional redemption and accrued interest thereon to the date fixed for redemption and the redemption premium, if any,

shall not have been deposited with the Trustee by the close of business of the fifth Business Day next preceding such optional redemption date.

(h) Upon the happening of the above conditions, and notice having been given as provided in this Section, the Bonds or the portions of the principal amount of Bonds thus called for redemption shall cease to bear interest on the specified redemption date, *provided*, that moneys sufficient for the payment of the redemption price are on deposit at the place of payment on the Payment Date, and shall no longer be entitled to the protection, benefit or security of this Indenture and shall not be deemed to be Outstanding under the provisions of this Indenture.

Section 2.4. Execution and Authentication. (a) The Bonds shall be executed on behalf of the Board with the official manual or facsimile signature of its Chairman and attested with the official manual or facsimile signature of its Executive Administrator, and shall have affixed, impressed, imprinted or otherwise reproduced thereon the official seal of the Board or a facsimile thereof. In case any officer whose signature or facsimile of whose signature shall appear on the Bonds shall cease to be such officer before the delivery of such Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes with the same force and effect as if such officer had remained in office until delivery.

(b) No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Indenture unless and until a certificate of authentication substantially in the form set forth in Exhibit A attached hereto and made a part hereof shall have been duly executed by a duly authorized signatory of the Trustee, and such executed certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Indenture. The Trustee's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized signatory of the Trustee, but it shall not be necessary that the same authorized signatory sign the certificate of authentication on all of the Bonds issued under this Indenture. The foregoing notwithstanding, if the Comptroller's Certificate of Registration substantially in the form set forth in Exhibit A attached hereto and made a part hereof shall have been duly executed by the Comptroller or a representative thereof, the Trustee shall not be required to execute the certificate of authentication described in the first sentence of this subsection (b).

Section 2.5. Mutilated, Lost, Stolen or Destroyed Bonds. In the event any Outstanding Bond, whether temporary or definitive, is mutilated, lost, stolen or destroyed, the Board may execute and, upon its request, the Trustee may authenticate a new Bond of the same principal amount and series and of like tenor as the mutilated, lost, stolen or destroyed Bond; *provided*, that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Board and the Trustee evidence of the ownership thereof and of such loss, theft or destruction in form satisfactory to the Board and the Trustee, together with an indemnity satisfactory to them. In the event any such Bond shall have matured or been called for redemption, instead of issuing a substitute Bond the Board may authorize the payment of the same. The Board and the Trustee may charge the holder or owner of such Bond with their reasonable fees and expenses in this connection. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be destroyed, lost or stolen shall constitute an original contractual obligation on the part of the

Board, whether the Bond so alleged to be destroyed, lost or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture together with all other Bonds in substitution for which such Bonds were issued.

Section 2.6. Registration of Bonds. (a) All of the Bonds issued under this Indenture shall be negotiable, subject to the provisions for registration and transfer contained in this Indenture and in the Bonds. The Trustee shall be the Bond Registrar for the Bonds. So long as any of the Bonds shall remain Outstanding, there shall be maintained and kept for the Board, at the designated payment office of the Trustee, the Bond Register for the registration and transfer of the Bonds.

(b) Each Bond shall be transferable only upon the Bond Register at the designated payment office of the Trustee at the written request of the registered owner thereof or the legal representative thereof duly authorized in writing upon surrender thereof, together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or the legal representative thereof duly authorized in writing. Upon the transfer of any Bond, the Board shall issue in the name of the transferee, in Authorized Denominations, one or more Bonds of the same series and aggregate principal amount and with the same maturity as the surrendered Bonds.

(c) In case any tax, assessment or governmental or other charge upon any part of the Trust Estate is not paid as required herein, including, without limitation, charges levied against an owner of a Bond sufficient for reimbursement of any governmental charges required to be paid in the event such owner fails to provide a correct taxpayer identification number to the Trustee, the Trustee may pay such tax, assessment or governmental or other charge, without prejudice, however, to any rights of the Trustee or the Bondholders hereunder arising in consequence of such failure; and any amount at any time so paid under this clause (c) shall become so much additional indebtedness secured by this Indenture, and the same shall be paid out of the proceeds of Revenues collected from the property herein conveyed, if not otherwise caused to be paid; but the Trustee shall be under no obligation to make any such payment unless it shall have been provided with adequate funds for the purpose of such payment.

Section 2.7. Persons Treated as Bondholders. (a) Subject to the provisions of Section 2.2 hereof governing the payment of interest on any Bond transferred after a Record Date and prior to a Payment Date, for the purpose of receiving payment of, or on account of, the principal of and interest on any fully registered Bond and for all other purposes, the Board, the Trustee, the Bond Registrar and any Paying Agent may deem and treat the person in whose name such Bond shall be registered upon the Bond Register as the absolute owner of such Bond, whether or not such Bond is overdue, and neither the Board, the Trustee, the Bond Registrar nor any Paying Agent shall be affected by any notice to the contrary.

(b) Payment made to the Person deemed to be the owner of any Bond for the purpose of such payment in accordance with the provisions of this Section shall be valid and effectual, to the extent of the sum or sums so paid, to satisfy and discharge the liability upon such Bond in respect of which such payment was made.

Section 2.8. Exchange and Transfer of Bonds. (a) As long as any Bond remains Outstanding, the exchange of Bonds shall be permitted at the designated payment office of the Trustee.

(b) Any Bond or Bonds, upon surrender thereof at the designated payment office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his legal representative duly authorized in writing, may, at the option of the owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same series of any other Authorized Denominations.

(c) In all cases in which the privilege of exchanging or transferring Bonds is exercised, the Board shall execute and the Trustee shall deliver Bonds in accordance with the provisions of this Indenture. For every such exchange or transfer of Bonds, whether temporary or definitive, the Board or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer.

Section 2.9. Cancellation and Destruction of Surrendered Bonds. Upon the surrender to the Trustee of any temporary or mutilated Bonds, or Bonds transferred or exchanged for other Bonds, or Bonds paid at maturity by the Board, the same shall forthwith be cancelled and periodically destroyed by the Trustee.

Section 2.10. Book-Entry System. The Bonds are eligible to be maintained in the book-entry-only system of The Depository Trust Company, New York, New York ("*DTC*"), and will be initially delivered in book-entry-only form.

(a) So long as the Bonds are in book-entry-only form, the Trustee shall comply with the terms of the Board's blanket letter of representations to DTC (herein the "*Representation Letter*"). References herein to Bondholders or registered Owners of the Bonds shall mean the registered Owner as set forth in the Representation Letter, and shall not mean the Beneficial Owners of the Bonds. However, the book-entry-only system through DTC may be terminated upon the happening of any of the following:

(i) DTC or the Board advises the Trustee that DTC is no longer willing or able to properly discharge its responsibilities under the Representation Letter and the Trustee or the Board is unable to locate a qualified successor clearing agency satisfactory to the Trustee and the Board.

(ii) The Board, in its sole discretion, but with the consent of the Trustee, elects to terminate the book-entry-only system by notice to DTC and the Trustee; or

(iii) After the occurrence of an Event of Default (at which time the Trustee promptly shall notify DTC of such Event of Default), the Beneficial Owners of a majority in aggregate principal amount of the Bonds advise the Trustee in writing, through DTC, that the continuation of a book-entry-only system through DTC, to the exclusion of any

definitive Bond certificates being issued to any person other than DTC or its nominee is no longer in the best interest of the Beneficial Owners.

(b) Upon the occurrence of any event described in subsection (a) above, the Trustee shall notify DTC of the occurrence of such event and of the availability of definitive Bond certificates to Beneficial Owners requesting the same, in an aggregate outstanding amount representing the interest of each Owner, making such adjustments and allowances as it may find necessary or appropriate as to accrued interest. Definitive Bond certificates shall be issued only upon surrender to the Trustee of the Bond by DTC, accompanied by registration instructions from DTC for the definitive Bond certificates. Neither the Board nor the Trustee shall be liable for any delay in delivery of such instructions and conclusively may rely on, and shall be protected in relying on, such instructions. Upon issuance of definitive Bond certificates, the Representation Letter shall no longer be in force and effect, and the Trustee shall perform its obligations as required hereunder that were performed by DTC.

Whenever notice or other communication to the Bondholders is required by the Trustee under this Indenture, the Trustee shall give all such notices and communications specified herein or required by this Indenture to be given to Bondholders to DTC.

ARTICLE III

ISSUANCE OF THE BONDS

Section 3.1. Issuance of the Bonds. Upon the execution and delivery of this Indenture, the Board shall execute and deliver to the Trustee, and the Trustee shall authenticate, the Bonds, and the Trustee shall deliver the Bonds to the initial purchasers thereof as may be directed by the Board; *provided*, that, prior to such delivery, the Board shall cause to be delivered to the Trustee:

(a) a copy of the Authorizing Resolution, duly certified by the Executive Administrator of the Board;

(b) an original executed counterpart of this Indenture;

(c) a certified copy of the executed Master Trust Indenture;

(d) a written request and authorization to the Trustee on behalf of the Board, signed by a Board Representative, to authenticate and deliver the Bonds to the purchaser or purchasers therein identified upon payment to the Trustee of the sum therein specified including accrued interest on the Bonds to the Date of Delivery and setting forth instructions as to the delivery and application of the proceeds of the Bonds;

(e) a certificate of the Board as required by Section 202(b) of the Master Trust Indenture;

(f) an Officer's Certificate certifying that the Board has received all required disclosure filings under Section 2252.908, Texas Government Code, with respect to the

Bonds and has notified or will notify the Texas Ethics Commission ("*TEC*") of its receipt of such filings by acknowledging such filings in accordance with TEC's rules;

(g) an opinion of Bond Counsel with respect to the authentication and delivery of the Bonds and to the effect that the Bonds have been duly authorized, executed and delivered by the Board and constitute valid, binding and enforceable obligations of the Board secured and payable from the sources pledged to secure their payment; and

(h) the Trustee shall have received the moneys specified in Section 4.2(b) hereof for deposit to the credit of the Assistance Account.

ARTICLE IV

FUNDS AND ACCOUNTS; FLOW OF FUNDS; INVESTMENTS

Section 4.1. Establishment of Funds and Accounts. SWIRFT is a special fund in the state treasury outside the general revenue fund of the State, and the Board has the authority under Section 15.473(c), Texas Water Code, to cause SWIRFT and any accounts established in SWIRFT to be managed by a corporate trustee. By executing this Indenture, the Board is exercising such authority granted to it by Section 15.473(c), Texas Water Code. The Board hereby creates and establishes the following special accounts within SWIRFT, each of which shall be held by the Trustee:

(a) State Water Implementation Revenue Fund for Texas 2019A Assistance Account (the "*Assistance Account*");

(b) State Water Implementation Revenue Fund for Texas 2019A Project Financing Account (the "*Project Financing Account*");

(c) State Water Implementation Revenue Fund for Texas 2019A Portfolio Account (the "*Portfolio Account*"), and within the Portfolio Account a Repayment Subaccount (the "*Repayment Subaccount*") and a Prepayment Subaccount (the "*Prepayment Subaccount*");

(d) State Water Implementation Revenue Fund for Texas 2019A Revenue Account (the "*Revenue Account*"), and within the Revenue Account a Repayment Subaccount (the "*Repayment Subaccount*") and an Administrative Expenses Subaccount (the "*Administrative Expenses Subaccount*");

(e) State Water Implementation Revenue Fund for Texas 2019A Debt Service Account (the "*Debt Service Account*"), and within the Debt Service Account, a Principal and Interest Subaccount and a Redemption Subaccount (each a "*Debt Service Subaccount*");

(f) State Water Implementation Revenue Fund for Texas 2019A Surplus Revenue Account (the *"Surplus Revenue Account"*); and

(g) State Water Implementation Revenue Fund for Texas 2019A Costs of Issuance Account (the *"Costs of Issuance Account"*).

The Trustee also shall establish and maintain the Rebate Fund for the sole benefit of the United States of America. The Rebate Fund does not constitute a fund or account within SWIRFT. The Trustee may create additional accounts and subaccounts in any of the funds created under this Indenture as the Trustee may deem appropriate for the purpose of fulfilling its obligations hereunder.

Section 4.2. Application of Moneys. (a) The proceeds from the sale of the Bonds shall be applied on the Date of Delivery, as follows:

(i) $_____ shall be deposited in the Costs of Issuance Account, and applied as provided in Section 4.10 hereof; and

(ii) $_____ shall be deposited in the Project Financing Account, for the purpose of making loans to Political Subdivisions through the acquisition of or interest contracted for by the Board in Political Subdivision Obligations as provided in Section 4.4 hereof.

(b) In addition, on the Date of Delivery, the Trustee shall receive from the Master Trustee moneys on deposit in the Transfer Account in the amount of $_____, which shall be deposited in the Assistance Account and applied as provided in Section 4.3 hereof.

Section 4.3. Assistance Account. There shall be deposited in the Assistance Account moneys as directed in Section 4.2(b) hereof. On or before each Interest Payment Date and Principal Payment Date designated in Exhibit C, the Trustee shall transfer from the Assistance Account the amounts shown on Exhibit C to the Principal and Interest Subaccount in the Debt Service Account to pay the principal of and interest on the Bonds. Moneys in the Assistance Account shall be invested only in Investment Securities pursuant to Section 4.18 of this Indenture, and are treated as gross proceeds within the meaning of section 148 of the Code unless the Trustee receives an opinion of nationally-recognized bond counsel to the effect that such treatment under section 148 of the Code does not apply. A Board Representative shall execute an Officer's Certificate to modify or amend Exhibit C, including to reflect the deposit of funds available to the Board from any lawfully available source, or to liquidate and direct the transfer and deposit, and reinvestment of proceeds of Investment Securities, to the extent the Board Representative certifies in the Officer's Certificate that such actions are necessary or desirable to pay debt service on the Bonds.

Section 4.4 Project Financing Account. There shall be deposited in the Project Financing Account moneys as directed by clause (ii) of Section 4.2(a) hereof. At the direction of the Board through the delivery of an Officer's Certificate, the Trustee shall (i) disburse moneys in the Project Financing Account for the acquisition of Political Subdivision Obligations or

interests therein or (ii) transfer moneys to the Principal and Interest Subaccount within the Debt Service Account. Political Subdivision Obligations so purchased shall be held in the Portfolio Account. Moneys in the Project Financing Account shall be invested pursuant to Section 4.18 of this Indenture.

Section 4.5 Portfolio Account. (a) All Political Subdivision Obligations acquired for SWIRFT, upon their acquisition by the Trustee at the direction of the Board, will be promptly transferred to the Trustee and deposited into the Portfolio Account as directed by a Board Representative through the execution and delivery to the Trustee of an Officer's Certificate (including specifically an Officer's Certificate delivered in accordance with Section 4.4 of this Indenture) and held therein until paid in full. Promptly upon their receipt, Repayments of principal and premium, if any, of and interest on Political Subdivision Obligations shall be deposited by the Trustee in the Repayment Subaccount and thereafter shall be transferred promptly to the Revenue Account as described in Section 4.6 hereof.

(b) Moneys received as Prepayments of Political Subdivision Obligations which were funded in whole or in part with proceeds of the Bonds shall be retained in the Prepayment Subaccount of the Portfolio Account and used by the Trustee to acquire either Political Subdivision Obligations or Investment Securities, as directed by the Board in an Officer's Certificate. As required by the Code, moneys on deposit in the Portfolio Account representing Prepayments shall be used within one hundred and eighty (180) days of the receipt of the Prepayment to acquire Political Subdivision Obligations or to acquire Investment Securities, in satisfaction of the requirement described in Section 5.10(a)(i) of this Indenture, unless the Trustee receives an opinion of nationally-recognized bond counsel to the effect that the failure to take such action will not adversely affect the excludability from gross income of the interest payable on the Bonds then Outstanding. If the Board does not reasonably expect Prepayments to be applied to acquire Political Subdivision Obligations or Investment Securities, such moneys must be applied as provided in subsection (c) of this Section.

(c) Moneys on deposit in the Prepayment Subaccount of the Portfolio Account shall be transferred to the Redemption Subaccount in the Debt Service Account as directed by the Board in an Officer's Certificate and shall be used within ninety (90) days of their deposit to the Redemption Subaccount in the Debt Service Account to redeem Bonds. Prepayments which have not been applied in the manner described above in this subsection (c) may be held by the Board for a period in excess of ninety (90) days following their receipt if there has been delivered to the Board a written opinion of nationally-recognized bond counsel to the effect that such action will not (i) be inconsistent with the terms of this Indenture and (ii) adversely affect the excludability from gross income of the interest payable on the Bonds then Outstanding.

Section 4.6. Revenue Account. (a) There shall be deposited in the Revenue Account: (i) to the credit of the Repayment Subaccount, all Repayments representing principal of and interest on Political Subdivision Obligations transferred from the Portfolio Account; (ii) all net investment earnings on the funds and accounts (other than the Assistance Account and the Costs of Issuance Account) as set forth in Section 4.18 hereof; and (iii) Repayments representing amounts to be deposited to the credit of the Administrative Expenses Subaccount, and all other moneys directed to be deposited in the Revenue Account by the Board.

(b) Moneys in the Repayment Subaccount of the Revenue Account shall be transferred to the Debt Service Account to pay the principal of and interest due on the Bonds as provided in Section 4.11(b) hereof. Moneys in the Revenue Account which are needed to pay the fees and expenses described in Section 7.2 hereof shall be deposited to the credit of the Administrative Expenses Subaccount and used in the manner described in Section 4.11(b) hereof.

Section 4.7. Debt Service Account. (a) There shall be deposited in the Principal and Interest Subaccount of the Debt Service Account (i) the moneys received pursuant to Section 4.3 hereof, (ii) the moneys received pursuant to Section 4.4 hereof, and (iii) the amounts received pursuant to Section 4.6 hereof. There shall be deposited in the Redemption Subaccount of the Debt Service Account all moneys received pursuant to Section 4.5(b) hereof.

(b) Moneys on deposit in the respective Debt Service Subaccounts of the Debt Service Account shall be applied solely to pay the interest on the Bonds as the same becomes due and payable and to pay the principal of and interest on the Bonds as the same becomes due and payable at maturity or upon the scheduled mandatory sinking fund redemption of Bonds, if any, prior to maturity. On each scheduled Interest Payment Date on the Bonds, the Trustee shall remit to the respective owners of such Bonds an amount from the Principal and Interest Subaccount of the Debt Service Account sufficient to pay the interest on the Bonds becoming due and payable on such Interest Payment Date. On each Principal Payment Date of the Bonds, the Trustee shall set aside and hold in trust an amount from the Principal and Interest Subaccount of the Debt Service Account, sufficient to pay the principal of the Bonds becoming due and payable on such Principal Payment Date. On each Redemption Date of the Bonds, the Trustee shall set aside and hold in trust an amount from the Redemption Subaccount of the Debt Service Account sufficient to pay the principal of and interest on the Bonds becoming due and payable on such Redemption Date as a result of the optional redemption of the Bonds. Pending such application, moneys in the Debt Service Account shall be invested pursuant to Section 4.18 of this Indenture.

Section 4.8. Intentionally Omitted.

Section 4.9. Surplus Revenue Account. Moneys in the Surplus Revenue Account shall be (i) transferred to the respective Debt Service Subaccounts within the Debt Service Account and used as a source of revenue for the payment or redemption of Bonds as directed in an Officer's Certificate, (ii) transferred to the Master Trustee as directed in an Officer's Certificate with instructions to deposit such moneys to the credit of the Program Account held by the Master Trustee, for use as described in the Officer's Certificate, including, without limitation, for the purposes described in Sections 305 and 306 of the Master Indenture, Section 15.435(i), Texas Water Code, and Section 15.474(c), Texas Water Code, or (iii) subject to the provisions of Section 305(c) of the Master Indenture, used for such other authorized purposes as the Board shall determine from time to time, but solely to the extent that such purposes are in accordance with the Act, and other applicable law related to the State Water Plan and the issuance of State Water Plan Bonds. Pending such application, moneys in the Surplus Revenue Account shall be invested pursuant to Section 4.18 of this Indenture.

Section 4.10. Costs of Issuance Account. The Trustee shall deposit in the Costs of Issuance Account from the proceeds of the Bonds the amount set forth in Section 4.2(i) of this Indenture. Moneys in the Costs of Issuance Account shall be applied by the Trustee to the payment of costs of issuance of the Bonds, including payment of all necessary fees, costs and expenses of the Trustee and the Board relating to the Bonds, as limited, in respect to the Trustee, by Section 7.2 of this Indenture. At the direction of the Board through the delivery of an Officer's Certificate, the Trustee will transfer any balance remaining in the Costs of Issuance Account on the one hundred eightieth (180th) day following the issuance of the Bonds to the Project Financing Account, the Principal and Interest Subaccount within the Debt Service Account, or both the Project Financing Account and the Principal and Interest Subaccount within the Debt Service Account. Moneys in the Costs of Issuance Account shall be invested pursuant to Section 4.18 of this Indenture.

Section 4.11. Flow of Funds. (a) On each Payment Date, the Trustee shall transfer from the Assistance Account the amount shown on Exhibit C to be transferred on such Payment Date to pay principal and interest due on the Bonds and deposit the same to the Principal and Interest Subaccount of the Debt Service Account.

(b) On each Payment Date, the Trustee shall transfer Revenues in the order of priority as follows:

FIRST, from the Repayment Subaccount of the Revenue Account, amounts sufficient, together with other amounts on deposit in the Principal and Interest Subaccount of the Debt Service Account, to pay principal and interest due on the Bonds and deposit the same to the Principal and Interest Subaccount of the Debt Service Account.

SECOND, from the Administrative Expenses Subaccount of the Revenue Account, amounts sufficient to pay the fees and expenses described in Section 7.2 of this Indenture.

The Trustee is directed by the Board to pay principal and interest due on the Bonds from the Principal and Interest Subaccount of the Debt Service Account. Any moneys remaining in the Revenue Account and the subaccounts therein, after making the transfers described above, may be transferred to the Surplus Revenue Account upon the Board delivering an Officer's Certificate directing the transfer of funds from the Revenue Account to the Surplus Revenue Account. Transfers to the Surplus Revenue Account may be made on a Payment Date, after the transfers described in FIRST and SECOND above have been made.

(c) If no later than forty (40) days prior to any Payment Date, it is determined there will not be available moneys sufficient to pay the principal of and interest on the Bonds then due, the Trustee shall immediately give notice to the Board and the Master Trustee of such projected deficiency. The notice shall indicate the amounts required to make up for such projected deficiency and request (i) that the Board take such measures as permitted by Section 4.3 of this Indenture to cure the deficiency and (ii) if the Board is unable to take such measures as permitted by Section 4.3 of this Indenture, that a transfer of moneys from the Program Account be effected. The Trustee shall deposit moneys made available by the Board, or transferred by the Master

Trustee from the Program Account, and designated for deposit in the Debt Service Account in accordance with such designation.

Section 4.12. Reports to Board. The Trustee agrees to notify the Board in writing, within five (5) Business Days after each date on which principal of or interest on the Bonds is payable, of the following: (i) the name and the dated date of such Bonds; (ii) the name of the Trustee; (iii) the date on which such interest on the Bonds was payable, the rate or rates of interest borne by the Bonds and the aggregate amount of such interest payable; (iv) the date on which such interest on the Bonds was paid and the amount of such interest paid; (v) the date on which the principal of the Bonds was payable (whether at maturity, upon call for prior redemption or acceleration) and the amount of principal due on such date; and (vi) the date on which the principal of the Bonds was paid and the amount of such principal paid.

The Trustee shall, beginning within sixty (60) days after delivery of the Bonds, provide a monthly report to the Board setting forth (i) amounts withdrawn from and deposited in each fund and account relating to the Bonds hereunder, (ii) the balance on deposit in each such fund relating to the Bonds at the end of each period for which such report is prepared, (iii) a brief description of all obligations held as investments in each such fund relating to the Bonds, (iv) the amount applied to the redemption of the Bonds, a description of the Bonds or portions of Bonds so redeemed, and an accounting of the Bonds of each maturity outstanding, and (v) any other information that the Board may reasonably request or that the Trustee may from time to time deem appropriate.

The Trustee shall also provide to the Board any other reports required by the agreement between the Board and the Trustee or as may be reasonably requested by the Board. The Trustee acknowledges that the Board may provide copies of such monthly reports from time to time to the Advisory Committee.

Section 4.13. Tax Covenants of the Board. (a) Covenants. The Board covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Code, and all applicable Treasury Regulations, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. Without limiting the generality of the foregoing, the Board covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds is directly or indirectly used for any "private business use", as defined in section 141(b)(6) of the Code;

(2) to take any action to assure that an amount not exceeding the lesser of $5,000,000 or five (5) percent of the proceeds (i.e., original sale proceeds of the Bonds) are used to finance loans to Water Supply Corporations or entities other than Political Subdivisions which are not Water Supply Corporations, in contravention of section 141(c) of the Code;

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

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

(5) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Bonds and to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds thereof, as may be necessary, so that the Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage);

(6) to refrain from using the proceeds of the Bonds or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Bonds in contravention of the requirements of section 149(d) of the Code (relating to advance refundings); and

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

(b) Proceeds. The Board understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of refunded bonds expended prior to the Date of Delivery. It is the understanding of the Board that the covenants contained herein are intended to assure compliance with the Code and the Treasury Regulations. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the Board will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally-recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the Board agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the Board hereby authorizes and directs any Board Representative to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Board, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

(c) Allocation of, and Limitation on, Expenditures for Loans to Political Subdivisions. The Board covenants to account for, or cause the Trustee to account for, the expenditure of the proceeds from the sale of the Bonds and any investment earnings thereon on its books and records in accordance with the requirements of the Code. The Board agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of interest on the Bonds. For purposes hereof, the Board shall not be obligated to comply with this covenant if it obtains an opinion of nationally-recognized bond counsel that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest on the Bonds.

(d) Disposition of Loans to Political Subdivisions. The Board covenants that the Political Subdivision Obligations will not be sold or otherwise disposed in a transaction resulting in the receipt by the Board of cash or other compensation, unless the Board obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of interest on the Bonds, the proceeds of which were used to make or acquire such Political Subdivision Obligations. The Board shall assure that Political Subdivisions, or any related persons thereto, will be prohibited from purchasing the Bonds or a portion thereof in an amount related to the amount of the Political Subdivision Obligation (whether as the purchase of a Political Subdivision Obligation or otherwise) to be acquired by the Board from any such Political Subdivision. No Person, or any related party (as defined in section 1.150-1 of the Treasury Regulations) from whom the Board may acquire Political Subdivision Obligations, shall, pursuant to an arrangement, formal or informal, purchase Bonds in an amount related to the amount of Political Subdivision Obligations to be acquired from such Person by the Board.

Section 4.14. Tax Covenants of the Trustee. For the purpose of maintaining the exclusion of the interest on the Bonds from gross income of the owners thereof for federal income tax purposes, the Trustee agrees that it shall not take, or fail to take, any action that could adversely affect the tax exempt status of the Bonds, unless it receives an opinion of nationally-recognized bond counsel that such action, or failure to take such action, does not adversely affect the tax exempt status of interest on the Bonds.

Section 4.15. Rebate Fund. In order to facilitate compliance with the covenant set forth in clause (6) of subsection (a) of Section 4.13 hereof, the Rebate Fund is established for the sole benefit of the United States of America, and the Rebate Fund shall not be subject to the claim of any other Person, including, without limitation, any Bondholder. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

Section 4.16. Non-Presentment of Bonds. Except as otherwise provided in Section 4.17 hereof, in the event any Bonds shall not be presented for payment when the principal thereof becomes due, if funds sufficient to pay such Bonds shall be held by the Trustee for the benefit of the owner or owners thereof, all liability of the Board to the owner or owners thereof for the payment of such Bonds shall forthwith cease, determine and be completely discharged and thereupon it shall be the duty of the Trustee to hold such funds without liability for interest thereon, for the benefit of the owner or owners of such Bonds, who shall thereafter be restricted

exclusively to such funds for any claim of whatever nature on his part under this Indenture or on, or with respect to, such Bonds.

Section 4.17. Unclaimed Moneys. All moneys which the Trustee shall have withdrawn from the Debt Service Account or shall have received from any other source and set aside for the purpose of paying any of the Bonds hereby secured shall be held in trust for the respective owners of such Bonds, but any moneys which shall be so set aside or deposited by the Trustee and which shall remain unclaimed by the owners of such Bonds for a period of three (3) years after the date on which such Bonds shall have become due and payable shall be paid to the Board; *provided, however*, that the Trustee, before making any such payment shall send a letter to the last known address for such Bondholders that said moneys have not been claimed and that after a date named therein any unclaimed balance of said moneys then remaining will be returned to the Board and thereafter the owners of such Bonds shall look only to the Board for payment and then only to the extent of the amount so received without any interest thereon, and the Trustee shall have no responsibility with respect to such moneys.

Section 4.18. Investments. Moneys in the Assistance Account, the Project Financing Account, the Costs of Issuance Account, the Revenue Account, the Debt Service Account and the Surplus Revenue Account shall at all times be invested by the Trustee in Investment Securities, as directed in writing by a Board Representative, maturing at such times and in such amounts as will make cash available for the purposes of such funds and accounts as needed, subject to the restrictions, if any, set forth in Section 4.13 or Section 4.15 hereof. Net investment earnings on the funds and accounts (other than the Assistance Account and the Costs of Issuance Account) shall be transferred to the Revenue Account, by no later than the last Business Day of the month received. Should any Investment Security which has a minimum rating requirement have its rating withdrawn or reduced below the minimum rating requirement, the Board shall not be required to cause the Investment Security to be sold. Upon receiving a written direction by a Board Representative, the Trustee may proceed to sell the Investment Security and purchase other Investment Securities with the proceeds of the sale of such Investment Security in accordance with written instructions from the Board Representative. Unless otherwise prohibited by this Section, the Trustee may invest money held hereunder in an Investment Security acquired in a transaction for which the Trustee or any Affiliate thereof receives compensation.

The Trustee shall sell in accordance with its written trade execution policy or present for redemption any Investment Securities so purchased, consistent with written direction of the Board, whenever it shall be necessary so to do in order to provide money to make any payment or transfer of money from any such fund or account. Neither the Trustee nor the Paying Agent shall be liable for any loss resulting from any investment made in accordance with any written direction by the Board. In the event of a conflict between written directions received from the Board, the written directions most recently received by the Trustee shall be controlling.

Although the Board recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Board hereby agrees that confirmations of Investment Securities are not required to be issued by the Trustee for each

month in which a monthly statement is rendered. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month.

Section 4.19. Disposition of Funds and Accounts. After the payment in full of the principal of, premium, if any, and interest on the Bonds (including any obligations issued or incurred to refinance the Bonds), or provision therefor has been made, pursuant to Article IX hereof, all moneys in all funds and accounts, other than moneys so held pursuant to Article IX hereof, moneys on deposit in the Rebate Fund to be paid to the United States of America and moneys referred to in Section 4.17 hereof, shall be paid by the Trustee to the Master Trustee; *provided*, that if the Master Trust Indenture shall no longer be in effect, the Trustee shall transfer all such moneys to the Comptroller for deposit to the credit of SWIFT, consistent with the provisions of Section 15.435(i), Texas Water Code, for the purposes as designated in writing by a Board Representative.

ARTICLE V

GENERAL COVENANTS AND PROVISIONS

Section 5.1. Payment of Principal and Interest. The Board covenants that it will promptly pay, solely out of the Security, the principal of, premium, if any, and interest on every Bond issued under this Indenture at the place, on the date, and in the manner provided herein and in the Bonds according to the true intent and meaning thereof, subject only to the provisions of Section 1.2 of this Indenture.

Section 5.2. Performance of Covenants. The Board represents that it is duly authorized under the Constitution and the laws of the State, including particularly and without limitation the Act, to issue the Bonds authorized hereby and to execute this Indenture, to pledge the Revenues and other funds described herein and assigned and pledged hereby in the manner and to the extent herein set forth; that all action on its part for the issuance of the Bonds and the execution and delivery of this Indenture has been duly and effectively taken as provided herein; and that the Bonds, assuming the due authentication thereof by the Trustee, in the hands of the owners thereof are and will be valid and enforceable special, limited obligations of the Board according to the import thereof, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and to the exercise of judicial discretion in accordance with general principles of equity. The Board covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all of its proceedings pertaining to the Bonds and this Indenture.

Section 5.3. Instruments of Further Assurance. The Board covenants, whenever and so often as reasonably required to do so by the Trustee, promptly to execute and deliver or cause to be delivered Supplemental Indentures and all such other and further instruments, documents or assurances, and to promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the owners of the Bonds all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by this Indenture, including, without limitation, the

Revenues and other funds pledged hereby to the payment of the principal of, premium, if any, and interest on the Bonds.

Section 5.4. No Extension of Time of Payment of Interest. In order to prevent any claims for interest after maturity, the Board will not directly or indirectly extend or assent to the extension of time of payment of any claims for interest on any of the Bonds, and will not directly or indirectly be a party to or approve any such arrangement by purchasing or funding such claims for interest or in any other manner. In case any such claims for interest shall be extended or funded in violation of this Section, such claims for interest shall not be entitled, in case of any default under this Indenture, to the benefit or security of this Indenture, except subject to the prior payment in full of the principal of all Bonds issued and Outstanding under this Indenture, and of all claims for interest which shall not have been so extended or funded.

Section 5.5. Inspection of Project Records. The Board covenants and agrees that all books, records and documents in its possession relating to the Political Subdivision Obligations and the Revenues shall at all reasonable times be open to inspection by such accountants, attorneys or other agents as the Trustee or the Master Trustee may from time to time designate in writing.

Section 5.6. Bond Register. The Board shall have no responsibility with regard to the accuracy of the Bond Register, the accuracy of which is the sole responsibility of the Trustee. At reasonable times and under reasonable regulations established by the Trustee, the Bond Register may be inspected and copied by the Board or by the owners (or a designated representative thereof) of at least a majority in aggregate principal amount of the Bonds then Outstanding hereunder, such ownership and the authority of any such designated representative to be evidenced to the satisfaction of the Trustee.

Section 5.7. Assignment of Political Subdivision Obligations and Revenues. The Board has assigned and pledged to the Trustee its right, title and interest in the Political Subdivision Obligations (except as otherwise specifically provided in this Indenture and the Political Subdivision Obligations) and the Revenues for the benefit and security of the owners of the Bonds to secure the payment of the principal of, premium, if any, and interest on the Bonds when due and for payment of all sums due under this Indenture in the manner herein and therein described and the punctual performance by the Board of all of its obligations under the terms and provisions of this Indenture.

Section 5.8. Rights under Political Subdivision Obligations. The Political Subdivision Obligations set forth the payment obligations of the Political Subdivision to repay and prepay its Political Subdivision Obligation received from the Board. The Board agrees that the Trustee, in its name or in the name of the Board, may enforce all rights of the Board and all obligations of each Political Subdivision under and pursuant to each Political Subdivision Obligation for and on behalf of the owners of the Bonds, whether the Board is in default hereunder or thereunder; *provided, however,* that the Trustee shall not be deemed to assume the Political Subdivision Obligations, and shall have no obligations under the Political Subdivision Obligations, except as expressly provided therein. The Board hereby agrees to cooperate fully with the Trustee in any proceedings, or to join in or commence in its own name any proceedings, for the enforcement of

the obligations of a Political Subdivision under and pursuant to the related Political Subdivision Obligation, if the Trustee shall so reasonably request, provided any costs of the Board (including without limitation the reasonable fees and expenses of attorneys) in connection therewith shall be paid out of the Trust Estate. Notwithstanding anything in this Indenture to the contrary, the Board has retained its rights to enforce the covenants of a Political Subdivision agreed to under the related Political Subdivision Obligation, and in that connection the Trustee will cooperate with the Board in the exercise of such remedies. If an event of default shall occur and be continuing under any Political Subdivision Obligation, the Trustee may direct the Board to exercise its rights and remedies under such Political Subdivision Obligation. The Trustee acknowledges that the Board will be represented by the State Attorney General in any legal action taken by the Board to enforce its rights under a Political Subdivision Obligation.

Section 5.9. Board's Obligation Limited. Nothing in this Indenture is intended to require or obligate, nor shall anything herein or therein be interpreted to require or obligate, the Board for any purpose or at any time whatsoever, to provide, apply, or expend any funds coming into the hands of the Board other than (a) the funds derived from the issuance of the Bonds under this Indenture, (b) all Revenues and other moneys received pursuant to this Indenture or the Political Subdivision Obligations, and (c) moneys held in the funds and accounts under this Indenture.

Section 5.10. Release of Pledged Political Subdivision Obligations; Substitution of Pledged Political Subdivision Obligations; Prepayment of Pledged Political Subdivision Obligations.

(a) Release of Political Subdivision Obligations. The Trustee, upon the written direction of the Board, may release Political Subdivision Obligations from the lien of this Indenture, upon the satisfaction of the following:

(i) the delivery to the Trustee of an Officer's Certificate (A) to the effect that cash flow reports evidence the sufficiency of (1) available Revenues from the remaining Political Subdivision Obligations and interest earnings on investments for each Payment Date to pay not less than 1.0 times principal and interest coming due on the Bonds on each such Payment Date until maturity, and (2) any and all available revenues for each Payment Date securing all outstanding Master Trust Bonds to pay not less than 1.0 times principal and interest coming due on all Master Trust Bonds on each such Payment Date (clauses (1) and (2) being herein referred to as the "*Coverage Requirement*") and (B) specifying the Political Subdivision Obligations to be released; and

(ii) the delivery to the Trustee of an amendment to the schedule of Political Subdivision Obligations attached hereto as Exhibit B (which amendment does not require the consent of the owners of the Bonds).

(b) Substitution of Political Subdivision Obligations. The Trustee, upon the written direction of the Board, may release Political Subdivision Obligations and substitute one or more Political Subdivision Obligations for such Political Subdivision Obligation upon the delivery to the Trustee of (i) the instruments described above in Section 5.10(a) under "Release of Political

Subdivision Obligations," *provided*, that the substituted Political Subdivision Obligation or Political Subdivision Obligations shall be included in the calculation of the Coverage Requirement and (ii) an Officer's Certificate stating that as a result of such substitution, the Coverage Requirement shall be not less than 1.0 times principal and interest coming due on the Bonds on each such Payment Date until maturity.

(c) Prepayment of Political Subdivision Obligations. Upon receipt of any Prepayment, if the Board cannot deliver to the Trustee an Officer's Certificate to the effect that the Coverage Requirement will be satisfied after taking into account such Prepayment, then the Board may exercise its rights described above in Section 5.10(b) under "Substitution of Political Subdivision Obligations".

(d) Amendment of Terms of Political Subdivision Obligations. The Board shall not consent to the amendment of the terms of a Political Subdivision Obligation unless the Board first delivers to the Trustee an Officer's Certificate to the effect that (i) the amendment will not cause the Coverage Requirement not to be satisfied and (ii) the amendment will not cause any representation, warranty or covenant of the Board in this Indenture to be inaccurate or breached in any material respect.

Section 5.11. No Parity or Superior Obligations. The Board shall not issue or incur any bonds, notes, or other obligations payable from or secured by, in whole or in part, any or all of the Security prior to or on a parity with the pledge of the Security securing payment of the Bonds.

ARTICLE VI

DEFAULTS AND REMEDIES

Section 6.1. Defaults; Events of Default. If any of the following events occurs, it is hereby defined as and declared to be and to constitute an "Event of Default":

(a) if default shall occur in the due and punctual payment of the principal of, premium, if any, or interest on any Bond; or

(b) if default shall be made by the Board in the observance of any of the covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, except for such a default described in Section 6.1(a) hereof, and such default shall have continued for a period of ninety (90) days after the Board shall have been given written notice of such default by the Trustee or by the owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, subject to the provisions of Section 6.9 hereof.

Section 6.2. Remedies; Rights of Bondholders. (a) Upon the occurrence and continuance of an Event of Default, the Trustee may pursue any available remedy by action at law or suit in equity to enforce the payment of the principal of and interest on the Bonds then Outstanding, including any and all such actions arising under or by reason of the Political Subdivision

Obligations either by itself or by causing the Board to exercise such rights and remedies under the Political Subdivision Obligations as the Trustee shall direct, pursuant to Section 5.8 of this Indenture.

(b) If an Event of Default shall have occurred and be continuing the Trustee may, in its discretion, and if requested so to do by the owners of at least a majority in aggregate principal amount of the Bonds then Outstanding and indemnified as provided in Section 7.1(l) hereof, the Trustee shall, exercise such one or more of the rights and powers conferred by this Section 6.2 as the Trustee shall deem most expedient in the interest of the owners of the Bonds.

(c) No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the owners of the Bonds) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given to the Trustee or to the owners of the Bonds hereunder or now or hereafter existing at law or in equity.

(d) No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein; and every such right and power may be exercised from time to time as often as may be deemed expedient.

(e) Notwithstanding anything in this Indenture to the contrary, acceleration is not a remedy should a default or Event of Default occur.

Section 6.3. Waivers of Events of Default. The Trustee shall waive any Event of Default and its consequences upon the written request of the owners of a majority in aggregate principal amount of the Bonds then Outstanding; *provided*, that there shall not be waived without the consent of the owners of all the Bonds then Outstanding (a) any Event of Default in the payment of the principal of any Outstanding Bonds at their maturity or upon the redemption thereof, or (b) any Event of Default in the payment when due of the interest on any such Bonds unless, prior to such waiver or rescission, all arrears of interest, and all expenses of the Trustee in connection with such Event of Default shall have been paid or deposited with the Trustee. In case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Board, the Political Subdivision, the Trustee, and the owners of the Bonds shall be restored to their former positions, rights and obligations hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Section 6.4. Right of Bondholders to Direct Proceedings. Anything in this Indenture to the contrary notwithstanding, but subject to the provisions of Sections 5.8 and 7.1 hereof, the owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, at any time, by written instrument or instruments executed and delivered to the Trustee, to direct the time, method, and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture or for the appointment of a receiver

or any other proceedings hereunder; *provided*, that such direction shall not be otherwise than in accordance with applicable provisions of law and of this Indenture.

Section 6.5. Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any owner of the Bonds, and any recovery of judgment shall be for the equal benefit of the owners of all of the Outstanding Bonds.

Section 6.6. Rights and Remedies of Bondholders. No owner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust thereof or for any other remedy hereunder unless a default has occurred of which the Trustee has been notified as provided in Section 7.1(h) hereof, or of which by said subsection it is deemed to have notice, and unless also such default shall have become an Event of Default and the owners of at least a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request to the Trustee, and shall have provided it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name and unless also they have provided to the Trustee indemnity as provided in Section 7.1(l) hereof, and unless the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its, his, her or their own name or names; and such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to any action or cause of action for the enforcement of this Indenture, or for any other remedy hereunder; it being understood and intended that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the owners of all of the Bonds then Outstanding. Nothing in this Indenture contained shall, however, affect or impair the right of any owner of any Bond to enforce the payment of the principal of, premium, if any, and interest on such Bond at the time, place, from the source and in the manner herein and in such Bond expressed.

Section 6.7. Application of Moneys in Event of Default. (a) Upon an Event of Default all moneys held or received by the Trustee pursuant to this Indenture (other than moneys in the Costs of Issuance Account, the Rebate Fund and arbitrage rebate, whether held in the Rebate Fund), or the Political Subdivision Obligation with respect to the defaulting Political Subdivision or pursuant to any right given or action taken under this Article shall, after payment of the reasonable costs and expenses, including those of the Trustee, in connection with the proceedings resulting in the collection of such moneys, shall be applied in the following order of priority, as follows:

> First – To the Debt Service Account, payment to the persons entitled thereto of all installments of principal and interest then due and payable on the Bonds, in the order in which such installments of principal and interest became due and payable, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts

due on such installment, to the persons entitled thereto, without any discrimination or privilege;

Second – To the payment of the reasonable expenses, liabilities and advances incurred or made by the Trustee, other than those incurred in connection with the proceedings resulting in the collection of such moneys; and

Third – The balance to the Master Trustee for deposit to the Program Account.

(b) Whenever moneys are to be applied pursuant to this Section, such moneys shall be applied at such times and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available and which may become available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be a Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue.

(c) Whenever all of the Bonds have been paid under this Section, and all expenses and charges of the Trustee and the Board have been paid, any balance shall be paid to the Master Trustee for deposit in the Program Account or to the TTSTC as provided in Section 4.19 of this Indenture.

Section 6.8. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then and in every such case the Board and the Trustee shall be restored to their former positions and rights hereunder and all rights, remedies and powers of the Trustee shall continue as if no such proceeding had been taken.

Section 6.9. Notice of Defaults. Anything herein or to the contrary notwithstanding, no default specified in Section 6.1(b) hereof shall constitute an Event of Default until actual notice of such default by registered or certified mail shall be given to the Board by the Trustee or by the owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, and the Board shall have had ninety (90) days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within such period; *provided, however,* if any default specified in Section 6.1(b) shall be such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Board within the applicable period and diligently pursued until the default is corrected.

ARTICLE VII

THE TRUSTEE

Section 7.1. Acceptance of the Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into this Indenture against the Trustee:

(a) The Trustee, prior to the occurrence of any Event of Default and after the curing or waiving of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person under reasonably similar circumstances would exercise or use under the circumstances.

(b) The Trustee may execute any of the trusts or powers of this Indenture and perform any of its duties by or through attorneys, agents, receivers, employees or such other professionals as may be reasonably necessary but shall be answerable for the conduct of the same in accordance with the standard specified above, and shall be entitled to consult with counsel and to act upon the opinion or advice of its counsel concerning all matters of trust of this Indenture and the duties under this Indenture, and, subject to the restrictions of Section 7.2 hereof, may in all cases pay such reasonable compensation to all such attorneys, agents, receivers, employees and such other professionals as may reasonably be employed in connection with the trusts of this Indenture. The Trustee may act upon an opinion of counsel, who may be an employee of the Trustee, and shall not be responsible for any loss or damage resulting from any action or non-action by it taken or omitted to be taken in good faith in reasonable reliance upon any such opinion of counsel.

(c) The Trustee shall not be responsible for any recital herein or in the Bonds (except in respect of its own recitals and the certificate of authentication of the Trustee endorsed on the Bonds), or for the validity of the execution by the Board of this Indenture or for any supplements hereto or instruments of further assurance, or for the sufficiency of the Security for the Bonds issued hereunder or intended to be secured thereby, and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Board or on the part of a Political Subdivision in connection with the matters referred to in this Indenture, except as herein set forth, and the Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Article IV of this Indenture.

(d) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered under this Indenture. The Trustee may also engage in or be interested in any financial or other transaction with the Board or any Political Subdivision.

(e) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, opinion of counsel, letter, or other paper or document reasonably believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the owner of any Bond, shall be conclusive and binding upon all future owners of the same Bond and Bonds issued in exchange therefor or in place thereof.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed on behalf of the Board by a Board Representative as sufficient evidence of the facts therein contained, and prior to the occurrence of a default of which the Trustee has been notified as provided in subsection (h) of this Section 7.1, or of which by said subsection it is deemed to have notice, the Trustee shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of a Board Representative under the seal of the Board to the effect that a resolution in the form therein set forth has been adopted by the Board as conclusive evidence that such resolution has been duly adopted and is in full force and effect.

(g) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not, except as provided in subsection (a) of this Section 7.1, be answerable for other than its negligence or willful misconduct.

(h) The Trustee shall not be required to take notice of or be deemed to have notice of any default hereunder, except the failure by the Board to cause to be made any of the payments to the Trustee required to be made by Article IV hereof, unless the Trustee shall be specifically notified in writing of such default by the Board or by the owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding; and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the designated corporate trust office of the Trustee and in the absence of such notice so delivered the Trustee may conclusively assume there is no default except as aforesaid; *provided*, that the Trustee will be required to take notice of the failure by any Political Subdivision to make a Repayment under the related Political Subdivision Obligation.

(i) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, accountants and representatives shall have the right, but shall not be required, to inspect all books, papers and records of the Board pertaining to the Political Subdivision Obligations and the Bonds, and to make copies thereof (at the Trustee's expense) and take such memoranda therefrom and in regard thereto as may be desired.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the trusts and powers under this Indenture.

(k) Notwithstanding anything elsewhere in this Indenture contained, the Trustee shall have the right, but shall not be required, to demand, in respect to the authentication of any Bonds, the withdrawal of any cash or any action whatsoever within the scope of this Indenture, any showings, certificates, opinions, appraisals or other information, or action or evidence thereof, in addition to that required by the terms of this Indenture, as a condition of such action, deemed by the Trustee desirable for the purpose of establishing the right of the Board to the authentication of any Bonds, the withdrawal of any cash or the taking of any other action by the Trustee.

(l) Before taking any action under this Indenture, other than any action under Article II hereof (excepting Section 2.5), the payment of principal of, premium, if any, and interest on the Bonds and the declaration of default, the Trustee may, in its discretion, require that satisfactory indemnity be furnished to it by the owners of the Bonds or other parties for the reimbursement of all expenses which it may incur or advance and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct, by reason of any action so taken.

(m) All moneys received by the Trustee or any Paying Agent shall, until used or applied or invested as herein provided, be held in trust in the manner and for the purposes for which they were received, but need not be segregated from other funds, except to the extent required by this Indenture or law. Neither the Trustee nor any Paying Agent shall be under any liability for interest on any moneys received hereunder, except such as may be agreed upon.

(n) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("*Instructions*") given pursuant to this Indenture and delivered using Electronic Means; provided, however, that the Board shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("*Authorized Officers*") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Board whenever a person is to be added or deleted from the listing. If the Board elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The Board understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Board shall be responsible for ensuring that only Authorized Officers transmit such instructions to the Trustee and that the Board and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Board. The Trustee, as a condition to acting upon the Instructions, shall confirm by Electronic Means to the Board the receipt of the Instructions if the

Instructions direct the external movement of at least $250,000 in funds. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction, absent negligence or willful misconduct on the part of the Trustee, and the Trustee shall endeavor to comply with such subsequent written instruction, once received. To the extent permitted by law, the Board agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Board; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

(o) The Trustee shall have no responsibility for the content of any offering memorandum or other offering document prepared in connection with the issuance of the Bonds or for the use of proceeds paid out in accordance with the terms hereof.

(p) No provisions of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it believes the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(q) If the Trustee is made a party to or intervenes in any litigation pertaining to this Indenture, the Trustee shall be compensated reasonably by the Board, to the extent permitted by law, for such extraordinary services and reimbursed for any and all claims, liabilities, losses, damages, fines, penalties, and expenses, including out-of-pocket and incidental expenses and legal fees occasioned thereby, unless such claim, liability, loss, damages, fine, penalty, and expense shall have been finally adjudicated to have resulted from the willful misconduct or negligence of the Trustee.

Section 7.2. Fees, Charges and Expenses of the Trustee. The Board shall pay, but solely from amounts on deposit in the Administrative Expenses Subaccount, to the Trustee, any Bond Registrar and any Paying Agent reasonable compensation as agreed upon by the Board and the Trustee, any Bond Registrar and any Paying Agent, for all services performed by the Trustee, the Bond Registrar or the Paying Agent, respectively, hereunder, and also the reasonable expenses, charges and other disbursements of the Trustee or the Paying Agent, respectively, and those of their respective attorneys, agents, employees and other professionals as may be reasonably necessary incurred in and about the administration and execution of the trusts hereby created and performance of their powers and duties under this Indenture, all in accordance with this Indenture. The schedule of fees and expenses of the Trustee for providing the services in respect to the administration and execution of the trusts hereby created and performance of the powers

and duties as Trustee, Paying Agent and Bond Registrar under this Indenture are set forth in Exhibit D attached hereto.

Section 7.3. Notice to Bondholders if Default Occurs. If an Event of Default occurs and is continuing of which the Trustee is required by Section 7.1(h) hereof to take notice or if notice thereof be given as provided by Section 7.1(h) hereof, then the Trustee shall give written notice thereof within thirty (30) days by United States mail, first class, postage prepaid, to all owners of Bonds then Outstanding shown by the Bond Register.

Section 7.4. Intervention by Trustee. In any judicial proceeding to which the Board is a party or which in the opinion of the Trustee and its counsel has a substantial bearing on the interest of the owners of the Bonds, the Trustee may, in its discretion, intervene on behalf of the owners of the Bonds and shall do so if requested in writing by the owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, *provided*, that the Trustee shall first have been provided indemnity as provided in Section 7.1(l) hereof as it may require against the costs, expenses and liabilities which it may incur in or by reason of such proceeding. The rights and obligations of the Trustee under this Section 7.4 are subject to the approval of a court of competent jurisdiction. The foregoing notwithstanding, the Trustee shall have no duty or right to request from the TTSTC amounts in excess of those initially deposited to the Assistance Account.

Section 7.5. Successor Trustee. Any banking association or corporation into which the Trustee may be merged or with which it may be consolidated or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation resulting from any such merger, consolidation or transfer to which it is a party, *ipso facto*, shall be and become successor Trustee hereunder and vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding; *provided*, that the representation contained in Section 7.15(b) hereof is still true and correct after such merger, consolidation or sale.

Section 7.6. Resignation by the Trustee. The Trustee may at any time and for any reason resign and be discharged of the trusts created by this Indenture by executing an instrument in writing resigning such trusts, specifying the date when such resignation shall take effect, and mailing the same to those Political Subdivisions with outstanding Political Subdivision Obligations, the Board, and to each owner of the Bonds then Outstanding as shown by the Bond Register not less than ninety (90) days before the date specified in such instrument when such resignation shall take effect. Subject to Section 7.8 hereof, such resignation shall take effect on the day specified in such instrument and notice, unless previously a successor Trustee shall be appointed by the owners of the Bonds or the Board, in which event such resignation shall take effect immediately on the appointment of such successor Trustee.

Section 7.7. Removal of Trustee. Provided that no Event of Default has occurred and is continuing, the Trustee may be removed with no less than forty-five (45) days' prior written notice (i) at the option of the Board (provided no Event of Default has occurred and is

continuing), or (ii) by the owners of a majority in aggregate principal amount of the Bonds then Outstanding, in each case by written instrument or concurrent instruments delivered to the Trustee and, in the event of a removal by owners of the Bonds, to the Board.

Section 7.8. Effective Date for Resignation or Removal. No resignation or removal of the Trustee and no appointment of a successor Trustee shall become effective until the successor Trustee has accepted its appointment under Section 7.9 of this Indenture.

Section 7.9. Appointment of Successor Trustee by the Board or the Bondholders; Temporary Trustee. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor Trustee may be appointed by the Board (in the case of removal by the Board pursuant to clause (i) of Section 7.7 hereof), or by the owners of a majority in aggregate principal amount of the Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such owners, or by their legal representatives duly authorized; *provided*, nevertheless, that in case of such vacancy the Board by an instrument executed and signed by its Chairman and attested by its Executive Administrator under its seal, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by the owners of the Bonds in the manner above provided; and any such temporary Trustee so appointed by the Board shall immediately and without further act be superseded by the Trustee so appointed by such owners of the Bonds. Every such Trustee appointed pursuant to the provisions of this Section 7.9 shall be a trust company or bank organized and doing business under the laws of the United States of America or any state thereof, subject to supervision or examination by federal or state regulatory board, having, or be wholly owned by an entity having, a reported capital and surplus of not less than $100,000,000, having an operations group of experienced trust officers with primary responsibility for municipal bond issues, if there be such an institution willing, qualified and able to accept the trusts under this Indenture upon reasonable and customary terms. In the event that a successor Trustee has not been appointed within sixty (60) days of such resignation, removal, dissolution or notice of dissolution or liquidation, the resigning Trustee may petition a court of competent jurisdiction for the appointment of a successor Trustee.

Section 7.10. Concerning Any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge, and deliver to its predecessor and also to the Board and the Political Subdivisions an instrument in writing accepting such appointment hereunder and the obligations of the Trustee under this Indenture, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all of the estates, properties, rights, powers, and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities, records and moneys held by it as Trustee hereunder to its successor, and shall provide the Board with a final accounting of all of the funds, accounts and subaccounts held by such predecessor Trustee under this Indenture. Should any instrument in writing from the Board be required by any successor Trustee for more fully and certainly vesting in such successor the estates, properties, rights, powers and trusts hereby vested or intended to be vested in the predecessor, any and all of such instruments in writing shall, on request, be executed, acknowledged and delivered by the Board. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other

instruments provided for in this Article, shall be filed or recorded by the successor Trustee in each recording office where this Indenture shall have been filed or recorded.

Section 7.11. Trustee Protected in Relying Upon Resolutions, Etc. The resolutions, opinions, certificates and other instruments provided for in this Indenture may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein, and shall be full warrant, protection, and authority to the Trustee for the withdrawal of cash hereunder and the taking or omission of any other action permitted by this Indenture.

Section 7.12. Successor Trustee as Trustee, Paying Agent and Bond Registrar. In the event of a change in the office of Trustee, the predecessor Trustee which has resigned, or has been removed or dissolved, shall cease to be Paying Agent for payment of principal of, premium, if any, and interest on the Bonds and Bond Registrar, and the successor Trustee shall become such Paying Agent and Bond Registrar.

Section 7.13. Certain Permitted Acts. The Trustee or any Paying Agent may become the owner of or deal in Bonds as fully and with the same rights it would have if it were not the Trustee or a Paying Agent. To the extent permitted by law, the Trustee, any Bond Registrar or any Paying Agent may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the owners of the Bonds or effect or aid in any reorganization growing out of enforcement of the Bonds or this Indenture, whether any such committee shall represent the owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Section 7.14. Records; Reporting Requirements. (a) The Trustee's records related to activities performed under this Indenture are subject to audit and inspection to the extent provided for in State law. The Trustee will maintain such financial transaction records in accordance with generally accepted accounting principles.

(b) The Trustee will provide monthly financial reports to the Board. Each financial report will cover financial activities during the preceding period covered by the report. These reports will consist of financial transaction registers. Financial transaction register means a register of all financial transactions during the reporting period for each fund and account maintained under this Indenture. Each financial transaction register will identify the Bonds and contain, for each fund and account, a date, description and amount for all financial transactions and starting and ending balances.

(c) In addition, to the extent the financial reports required by paragraph (b) do not provide sufficient information for the Board as may be necessary for the conduct of the annual audit of the financial condition of the Board or for the Board to comply with the reporting requirements established by the State law, the Trustee shall provide such additional information as may be reasonably requested by the Board

Section 7.15. Representations, Warranties and Covenants of the Trustee. The Trustee hereby represents, warrants and covenants as follows:

(a) All federal, state and local governmental, public, and regulatory authority approvals, consents, notices, authorizations, registrations, licenses, exemptions and filings that are required to have been obtained or made by the Trustee with respect to the authorization, execution, delivery, and performance by, or the enforcement against or by, the Trustee of this Indenture have been obtained, and are in full force and effect, and all conditions of such approvals, consents, notices, authorizations, registration, licenses, exemptions and filings have been fully complied with.

(b) The Trustee has a reported capital, surplus, and undivided profits of not less than $100,000,000.

(c) The Trustee has and shall maintain an operations group of experienced trust officers with primary responsibility for municipal bond issues.

ARTICLE VIII

SUPPLEMENTAL INDENTURES

Section 8.1. Supplemental Indentures Not Requiring Consent of Bondholders. The Board and the Trustee may without the consent of, or notice to, any of the owners of the Bonds, enter into supplemental indenture or indentures to this Indenture which shall not be inconsistent with the terms and provisions of this Indenture for any one or more of the following purposes:

(a) to cure ambiguity, formal defect, or omission in this Indenture;

(b) to grant to or confer upon the Trustee for the benefit of the owners of the Bonds any additional rights, remedies, powers or authority that may be lawfully granted to or conferred upon the owners of the Bonds or the Trustee or either of them;

(c) to subject to the lien and pledge of this Indenture additional revenues, properties or collateral;

(d) to modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification of this Indenture or any indenture supplemental hereto under any Federal statute hereafter in effect or under any state "Blue Sky Law", and, in connection therewith, if they so determine, to add to this Indenture or any indenture supplemental hereto such other terms, conditions and provisions as may be permitted or required by any such Federal statute or state "Blue Sky Law"; *provided*, that any such indenture supplemental hereto referred to in this subsection (d) shall not, in the judgment of the Trustee, which may rely on an opinion of counsel, be to the prejudice of the owners of the Bonds;

(e) to modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification of this Indenture under the Trust Indenture Act of 1939, as then amended, or any similar federal statute hereafter

in effect or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States of America;

(f) to release Political Subdivision Obligations from the lien of this Indenture as permitted by Section 5.10 hereof;

(g) to evidence the appointment of a separate trustee or the succession of a new Trustee hereunder or a successor to the Bond Registrar;

(h) to conform the requirements of or respecting Sections 4.13, 4.14, 4.15 and 4.18 hereof with any subsequent amendments of section 148 of the Code or any regulation promulgated thereunder or with respect thereto;

(i) to make any change deemed necessary by the Board to maintain the exclusion of interest on the Bonds from gross income of the owners thereof for federal income tax purposes;

(j) to modify, amend or supplement this Indenture or any Supplemental Indenture in such manner to address the appointment of a Securities Depository to replace DTC and its book-entry-only system described in Section 2.10 hereof; or

(k) to make any other change which, in the sole judgment of the Trustee, does not materially adversely affect the interests of the owners of the Bonds. In exercising such judgment the Trustee may rely on the opinion of such counsel as it may reasonably select.

The Board and the Trustee may without the consent of, or notice to, any of the owners of the Bonds, enter into an indenture or indentures supplemental to this Indenture which shall not be inconsistent with the terms and provisions of this Indenture to amend, supplement or modify any provisions of this Indenture relating to the administration or implementation of the program to finance State Water Plan Projects, or affecting the ability of the Board to finance any State Water Plan Project; *provided*, that no such amendment, supplement or modification shall be enacted unless each of the Rating Agencies shall advise the Board in writing that the rating or ratings assigned by the Rating Agency to the Board's then outstanding Bonds will not be lowered, reduced or withdrawn as a result of the amendment, supplement or modification proposed to be enacted; and *provided, further*, that the Board shall give notice in the manner described in Section 11.3 hereof within sixty (60) days of the approval of such amendment or modification by the Board to the Bondholders, the Master Trustee and the Rating Agencies. Such notice shall set forth the text of the amendment, supplement or modification and state that each Rating Agency has advised the Board the rating or ratings assigned by the Rating Agency to the Board's then outstanding Bonds have not or will not be lowered, reduced, or withdrawn as a result of the amendment, supplement or modification to be enacted.

Section 8.2. Supplemental Indentures Requiring Consent of Bondholders. (a) Except for Supplemental Indentures authorized by Section 8.1 hereof and subject to the further provisions contained in this Section, and not otherwise, the owners of at least a majority in

aggregate principal amount of the Bonds then Outstanding shall have the right from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and approve the execution by the Board and the Trustee of such other indenture supplemental hereto as shall be deemed necessary and desirable by the Board for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any indenture supplemental hereto. Nothing contained in this Section shall permit, or be construed as permitting, without the consent of the owners of all the Bonds then Outstanding (i) an extension of the stated maturity or reduction in the principal amount of, or reduction in the rate or extension of the time of payment of interest on, any Bonds, or (ii) the creation of any lien on all or any portion of the Revenues and other funds pledged under this Indenture prior to or on a parity with the lien of this Indenture, or (iii) a reduction in the aforesaid aggregate principal amount of the Bonds the owners of which are required to consent to any such Supplemental Indentures. No such amendment shall modify the rights, duties or immunities of the Trustee without the written consent of the Trustee.

(b) If at any time the Board shall request the Trustee to enter into any such Supplemental Indenture for any of the purposes of this Section, the Trustee shall cause notice of the proposed execution of such Supplemental Indenture to be mailed to the Rating Agencies and to each owner of the Bonds Outstanding as shown by the Bond Register by United States mail, first class, postage prepaid. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture, and shall state that copies thereof are on file at the designated corporate trust office of the Trustee for inspection by all owners of the Bonds. If within ninety (90) days, or such longer period as shall be prescribed by the Board following the mailing of such notice, the owners of at least a majority in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as herein provided, no owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Board from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as in this Section 8.2 permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith.

(c) The Trustee may rely upon an opinion of counsel as conclusive evidence that any Supplemental Indenture entered into by the Board and the Trustee complies with the provisions of this Article VIII.

Section 8.3. Opinion of Bond Counsel. Notwithstanding anything to the contrary contained in Sections 8.1 and 8.2 hereof, before the Board and the Trustee enter into any Supplemental Indenture pursuant to Section 8.1 or Section 8.2 hereof, there shall have been delivered to the Board, the Trustee and the Political Subdivisions an opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by this Indenture and the Act, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Board in accordance with its terms and will not adversely affect the exclusion of interest on the Bonds from gross income of the owners thereof for federal income tax purposes or State taxes.

Section 8.4. Notice to the Rating Agencies. The Trustee shall send a copy of each Supplemental Indenture executed and delivered pursuant to this Article VIII to the Rating Agencies.

ARTICLE IX

DEFEASANCE

Section 9.1. Defeasance. (a) When all of the Bonds shall have been paid and discharged and the Board shall have paid or caused to be paid all other sums payable hereunder by the Board, then the requirements contained in this Indenture and the pledge of Security made hereunder and all other rights granted hereby shall terminate. Bonds shall be deemed to have been paid and discharged within the meaning of this Indenture if there shall have been deposited with the Trustee, or other bank or trust company, having full trust powers and meeting the requirements of a successor Trustee hereunder impressed with a first lien to the Trustee for the benefit of the owners of the Bonds,

(i) at or prior to the maturity or redemption date of said Bonds, in trust for and irrevocably appropriated thereto, moneys and/or Defeasance Securities which, together with the interest to be earned on any such obligations, as evidenced by the written report of an independent certified public accountant, will be sufficient for the payment of the principal of said Bonds, the premium thereon, if any, and interest to accrue to the date of maturity or redemption, as the case may be, or if default in such payment shall have occurred on such date, then to the date of the tender of such payments; *provided, however,* that if any such Bonds shall be redeemed prior to the maturity thereof,

(1) the Board shall have elected to redeem such Bonds, and

(2) either notice of such redemption shall have been given, or the Board shall have given irrevocable instructions to the Trustee to redeem such Bonds; and

(ii) an opinion of Bond Counsel addressed to the Board and the Trustee to the effect that providing for the payment of the Bonds by depositing such moneys and/or Defeasance Securities with the Trustee in accordance with this Section will not cause the interest on the Bonds to be included in gross income of the owners for federal income tax purposes.

(b) Any moneys and obligations which at any time shall be deposited with the Trustee or other bank by or on behalf of the Board, for the purpose of paying and discharging any of the Bonds, shall be and are hereby assigned, transferred and set over to the Trustee or other bank or trust company in trust for the respective owners of the Bonds, and such moneys shall be and are hereby irrevocably appropriated to the payment and discharge of this Indenture. All moneys deposited with the Trustee or other bank or trust company shall be deemed to be deposited in accordance with and subject to all of the provisions contained in this Indenture.

(c) Bonds for the payment of which moneys and/or Defeasance Securities shall have been deposited with the Trustee or such other bank or trust company (whether upon or prior to the maturity of such Bonds) shall be deemed to be paid and no longer Outstanding.

Section 9.2. Disposition of Trust Estate. Upon the payment or provision for payment of all Bonds as provided in Section 9.1 hereof, the Trustee shall execute and deliver to the Board such instruments in writing as shall be requisite to cancel and discharge the lien hereof, and, subject to the provisions of Section 4.19 hereof, shall reconvey, release, assign and deliver the estate, right, title and interest in and to all property conveyed, assigned or pledged to the Trustee or otherwise subject to the lien of this Indenture, except amounts in the Debt Service Account, to such person or persons as shall be directed by the Master Trustee with the written approval of the Board.

ARTICLE X

CONTINUING DISCLOSURE UNDERTAKING

Section 10.1. Annual Reports. The Board shall provide annually to the MSRB, within 195 days after the end of each Fiscal Year ending in or after 2019, financial information and operating data with respect to the Board of the general type included in Tables 1 and 2 and in Appendix A-1 in the final Official Statement authorized by the Board, being the information described in the resolution of the Board authorizing the execution of this Indenture. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in the resolution of the Board authorizing the execution of this Indenture and (2) audited, if the Board or the State, as appropriate, commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not so provided, then the Board shall provide notice that the audited financial statements are not available and provide unaudited financial statements within the required time for the applicable Fiscal Year to the MSRB, and audited financial statements when and if audited financial statements become available.

If the Board changes its Fiscal Year, it will notify the MSRB of the change (and of the date of the new Fiscal Year end) prior to the next date by which the Board otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC. All filings shall be made electronically, in the format specified by the MSRB.

Section 10.2. Disclosure Event Notices. The Board shall notify the MSRB, in a timely manner not in excess of ten (10) Business Days after the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies;

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

The Board shall notify the MSRB, in a timely manner, of any failure by the Board to provide financial information or operating data in accordance with Section 10.1 hereof by the time required by such Section.

As used in clause 12 above, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the Board in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if jurisdiction has been assumed by leaving the Board and officials or officers of the Board in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board.

As used in clauses 15 and 16 above, the term "Financial Obligation" means: (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii), however, the term Financial Obligation shall not include Municipal Securities as to which a final official statement has been provided to the MSRB consistent with the Rule; the term "Municipal Securities" means securities which are direct obligations of, or obligations guaranteed as to principal or interest by, a state or any political subdivision thereof, or any agency or instrumentality of a state or any political subdivision thereof, or any municipal corporate instrumentality of one or more states and any other Municipal Securities described by Section 3(a)(29) of the Securities Exchange Act of 1934, as the same may be amended from time to time; and the term "Obligated Person" means the Board.

Section 10.3. Limitations, Disclaimers, and Amendments. The Board shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the Board or the State remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the Board in any event will give the notice required by Section 10.2 of this Indenture of any Bond calls and defeasances that cause the Board and the State to be no longer "obligated persons".

The provisions of this Article are for the sole benefit of the holders and beneficial owners of the Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other Person. The Board undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Board's or the State's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The Board does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE BOARD BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE BOARD, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

All documents provided to the MSRB shall be accompanied by identifying information, as prescribed by the MSRB.

No default by the Board in observing or performing its obligations under this Article shall constitute a breach of or default under this Indenture for purposes of any other provision of this Indenture.

Nothing in this Article is intended or shall act to disclaim, waive, or otherwise limit the duties of the Board or the State under federal and State securities laws.

Should the Rule be amended to obligate the Board to make filings with or provide notices to entities other than the MSRB, the Board agrees to undertake such obligation in accordance with the Rule as amended.

The provisions of this Article may be amended by the Board from time to time 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 Board or the State, but only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds 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 (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Indenture that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a Person that is unaffiliated with the Board and the State (such as nationally-recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the Board so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with Section 10.1 of this Indenture an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Board may also amend or repeal the provisions of this continuing disclosure requirement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but 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.

Section 10.4. Continuing Disclosure Undertaking of Significant Borrowers. The Board shall require each Significant Borrower to adopt an ordinance, order or resolution (a "*Significant Borrower Undertaking*") pursuant to which each Significant Borrower must agree to provide annually to the MSRB financial information and operating data with respect to the Significant Borrower of the general type hereinafter described and timely notice of any failure to do so by the time required by the Significant Borrower Undertaking. For purposes of this Section, the term Significant Borrower includes (i) any Political Subdivision that is expected to be a Significant Borrower as of the date of this Indenture (an "*Existing Significant Borrower*") and (ii) a Political Subdivision that, as a result of the Board's future acquisition of its Political Subdivision Obligations, or substitution of its Political Subdivision Obligations held in the Portfolio Account as permitted by this Indenture, or the prepayment or redemption of other Political Subdivision Obligations held in the Portfolio Account established by this Indenture, becomes a Significant Borrower (a "*Future Significant Borrower*"). Any Existing Significant Borrower must agree to provide, within 195 days after the end of each fiscal year of the Existing Significant Borrower ending in or after 2019, financial information and operating data with respect thereto of the nature included in the Significant Borrower Undertaking. Any financial statements so to be provided shall be prepared in accordance with the accounting principles described in the Significant Borrower Undertaking, or such other accounting principles as such

Existing Significant Borrower may be required to employ from time to time pursuant to state law or regulation. Any Future Significant Borrower must agree to provide, within 195 days after the end of each fiscal year of the Future Significant Borrower ending in or after the year the Political Subdivision became a Significant Borrower, financial information and operating data with respect thereto of the nature required by the Rule and the Significant Borrower Undertaking. Any financial statements so to be provided shall be prepared in accordance with the accounting principles described in the Significant Borrower Undertaking, or such other accounting principles as such Significant Borrower may be required to employ from time to time pursuant to state law or regulation. In any case, if such Significant Borrower commissions an audit of such statements and the audit is completed within the period during which they must be provided, the financial statements to be provided shall be audited. If the audit of such financial statements is not complete within such period, then such Significant Borrower shall provide notice that the audited financial statements are not available and provide unaudited financial statements and thereafter audited financial statements for the applicable fiscal year to the MSRB, when and if the audit report on such statements become available.

If any Significant Borrower changes its fiscal year, it shall be the duty of such Significant Borrower, as required by its respective Significant Borrower Undertaking, to notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which such Significant Borrower otherwise would be required to provide financial information and operating data pursuant to this Section. The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC.

Each Significant Borrower shall be obligated under its Significant Borrower Undertaking to observe and perform the covenants specified in this Section for so long as, but only for so long as, any Significant Borrower remains an "obligated person" with respect to the Bonds within the meaning of the Rule.

The provisions of this Section are for the sole benefit of the Holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person.

No default by any Significant Borrower in observing or performing its obligations as described in this Section shall constitute a breach of or default under this Indenture for purposes of any other provision of this Indenture. Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of any Significant Borrower under federal and state securities laws.

Each Significant Borrower Undertaking shall provide that the nature of the undertaking therein may be amended by any Significant Borrower from time to time 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 any Significant Borrower, but only if (1) the undertaking, as so amended, would have permitted an underwriter to purchase or sell its Political

Subdivision Obligations in the primary offering of such Political Subdivision Obligations in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Indenture that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with any Significant Borrower (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Political Subdivision Obligations. If any Significant Borrower so amends its respective Significant Borrower Undertaking, it shall include with any amended financial information or operating data next provided in accordance with this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided.

The Board, as a condition to making financial assistance available to a Political Subdivision, requires that a Political Subdivision must include a provision in its authorizing proceedings to the effect that such Political Subdivision will covenant to provide relevant financial information and operating data with respect to such Political Subdivision annually to the MSRB within 195 days after the end of each fiscal year of such Political Subdivision, and to file with the MSRB certain specified "disclosure events" with respect to the Political Subdivision Obligations consistent with the Rule, as if the Board were a "Participating Underwriter" within the meaning of the Rule.

As a result of the prepayment or redemption of Political Subdivision Obligations held in the Portfolio Account established by this Indenture, should a Political Subdivision become a Future Significant Borrower, the Trustee will promptly notify the Board and the Political Subdivision that becomes a Future Significant Borrower in writing that the Political Subdivision has become a Future Significant Borrower. As a result of the Political Subdivision Obligations held in the Portfolio Account of a Political Subdivision that is a Significant Borrower no longer comprising at least twenty percent (20%) in aggregate principal amount of all Political Subdivision Obligations held in the Portfolio Account, the Trustee will promptly notify the Board and such Political Subdivision in writing that such Political Subdivision no longer is a Significant Borrower. Notice to the Political Subdivision shall be sent to the address provided to the Trustee by the Board at the time the Political Subdivision Obligation is directed by the Board to be purchased by the Trustee in accordance with the provisions of Section 4.5(a) hereof.

If the Board is unable, through no fault of its own, to obtain a Significant Borrower Undertaking from any Political Subdivision which currently has Political Subdivision Obligations held in the Portfolio Account established by this Indenture, and which subsequently becomes a Significant Borrower, the Board is under no obligation to take any action if any such Significant Borrower fails to provide the information requested.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Consents, Etc., of Bondholders. Any consent, request, direction, approval, objection or other instrument required by this Indenture to be signed and executed by the owners of the Bonds may be in any number of concurrent writings of similar tenor and may be signed or executed by such owners in person or by a legal representative duly authorized in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing authorizing any such legal representative and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture (except for the assignment of a Bond), and shall be conclusive in favor of the Trustee with regard to any action taken under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution or by any means which the Trustee may reasonably deem to be sufficient; and

(b) The fact of ownership by any person of Bonds shall be proved by the Bond Register maintained by the Bond Registrar.

For all purposes of this Indenture and of the proceedings for the enforcement of this Indenture, such person shall be deemed to continue to be the owner of such Bonds until the Trustee shall have received notice in writing to the contrary.

Section 11.2. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give any person or company other than the parties hereto, the Master Trustee and the owners of the Bonds, any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and provisions of this Indenture being intended to be and being for the sole and exclusive benefit of the parties hereto and the owners of the Bonds as provided in this Indenture.

Section 11.3. Notices. Except as otherwise provided herein, it shall be sufficient service of any notice, request, complaint, demand or other paper required by this Indenture to be given to or filed with the Board, the Trustee, the Master Trustee, the Rating Agencies or the Bondholders if the same shall be duly mailed by United States mail, first class, postage prepaid, or sent by telegram, telecopy or telex or other similar communication, or when given by telephone, confirmed in writing by United States mail, first class, postage prepaid, or sent by facsimile, electronic mail or other similar communication, on the same day, addressed:

(a) To the Board:

Texas Water Development Board
1700 North Congress Avenue
Austin, Texas 78701
Attention: Executive Administrator
Phone: (512) 463-7847
Facsimile: (512) 475-2053
E-mail: General-Counsel@twdb.texas.gov
cc: General Counsel

(b) To the Trustee:

The Bank of New York Mellon Trust Company, National Association
601 Travis Street, 16th Floor, Houston, TX 77002
Attention: Corporate Trust Department
Phone: 512-236-6518
Fax: 713-483-6001
E-mail: saul.e.ramirez@bnymellon.com

(c) To the Master Trustee:

The Bank of New York Mellon Trust Company, National Association
601 Travis Street, 16th Floor, Houston, TX 77002
Attention: Corporate Trust Department
Phone: 512-236-6518
Fax: 713-483-6001
E-mail: saul.e.ramirez@bnymellon.com

(d) To Bond Counsel:

McCall, Parkhurst & Horton L.L.P.
717 N. Harwood, Suite 900
Dallas, Texas 75201
Phone: 214-754-9200
Fax: 214-754-9250
E-mail: adminstrator@mphlegal.com

(e) To Disclosure Counsel:

Bracewell LLP
711 Louisiana Street, Suite 2300
Houston, Texas 77002-2770
Phone: (713) 223-2300
Fax: (800) 404-3970
E-mail: barron.wallace@bracewell.com

(f) To the owners of the Bonds:

Addressed to each of the owners of all Bonds at the time Outstanding, as shown by the Bond Register. In case, by reason of the suspension of or irregularities in regular mail service, it shall be impractical to mail notice to the owners of Bonds of any event when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be sufficient giving of such notice.

(g) Initially, to the Rating Agencies at:

Fitch Ratings
33 Whitehall Street
New York, New York 10004
Phone: (212) 908-0500

S&P Global Ratings
55 Water Street
New York, New York 10041
Phone: (212) 438-2124

In the event of notice to any party other than the Board, a copy of the notice shall be provided to the Board. Each party may change its address by giving written notice of the new address to the other parties.

The Trustee is hereby instructed to give notice to the Rating Agencies if (i) the Trustee resigns or is removed, or a new Trustee is appointed, (ii) the Trustee is notified in writing by the Board that a payment default under a Political Subdivision Obligation has occurred, (iii) there is a call for the redemption of all Bonds, or (iv) to the extent the Trustee is notified in writing by the Board if any amendment is made to this Indenture or a Political Subdivision Obligation.

Section 11.4. Payments Due on Saturdays, Sundays and Holidays. In any case where the date of maturity of interest or premium, if any, on or principal of the Bonds shall not be a Business Day, then payment of interest or premium, if any, or principal need not be made on such date but may be made (without additional interest) on the next succeeding Business Day with the same force and effect as if made on the date of maturity.

Section 11.5. Severability. (a) If any provision of this Indenture shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions in this Indenture or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever.

(b) The invalidity of any one or more phrases, sentences, clauses or Sections in this Indenture shall not affect the remaining portion of this Indenture or any other part of this Indenture.

Section 11.6. Execution in Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page of this Indenture by telecopy or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Indenture.

Section 11.7. Governing Law. This Indenture is being executed with the intent that it shall be construed and enforced in accordance with the laws of the State. Venue for any actions brought under this Indenture to which the Board is a party shall lie in Travis County, Texas.

Section 11.8. No Recourse against Board's Officers. No recourse shall be had for the payment of the principal of, premium, if any, and interest on any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement contained in this Indenture or the purchase contract relating to any Bonds against any past, present or future member, officer, official, agent or employee of the Board, or any incorporator, member, officer, official, employee, director or trustee of any successor thereto, as such, either directly or through the Board or any successor thereto, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such incorporator, member, officer, official, employee, director, agent or trustee as such is hereby expressly waived and released as a condition of and consideration for the execution of this Indenture and the issuance of the Bonds.

Section 11.9. DTC Caption for Bonds. The following paragraph shall be used as a heading on the Bonds during the period that the provisions of Section 2.10(a) and (b) are applicable to the Bonds:

> Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York Corporation (*"DTC"*), to the Board or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co., or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized

representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest in this Bond.

Section 11.10. State Water Plan Projects. For purposes of this Indenture, State Water Plan Projects are those State Water Plan projects eligible to be financed under Subchapter H, specifically Section 15.474, Texas Water Code.

Section 11.11. Section 2270.002, Texas Government Code. Pursuant to Section 2270.002, Texas Government Code, the Trustee hereby represents that it is a company that does not, nor does any Affiliate of the Trustee, boycott Israel, and, subject to or as otherwise required by applicable Federal law, including, without limitation, 50 U.S.C. Section 4607, the Trustee, and any Affiliate of the Trustee, agrees not to boycott Israel during the term of this Indenture. As used herein, the term “boycott Israel” has the meaning given such term in Section 2270.002 of the Texas Government Code, and the term “company” has the meaning assigned to such term in Section 808.001(2) of the Texas Government Code. For purposes of this Section 11.11, the Trustee understands Affiliate to mean any entity that controls, is controlled by, or is under common control with the Trustee and exists to make a profit.

Section 11.12. Chapter 2252, Texas Government Code. For purposes of Subchapter F of Chapter 2252 of the Texas Government Code, the Trustee hereby represents that (i) it does not, nor does any Affiliate of the Trustee, engage in business with Iran, Sudan or any foreign terrorist organization as described in Chapter 2270 of the Texas Government Code, or Subchapter F of Chapter 2252 of the Texas Government Code, and (ii) it, and any Affiliate of the Trustee, is not a company identified on the lists maintained by the Texas Comptroller of Public Accounts under Sections 2252.153, 2270.0201 or 2270.0153 of the Texas Government Code. The term "foreign terrorist organization" as used herein has the meaning assigned to such term in Section 2252.151 of the Texas Government Code. For purposes of this Section 11.12, the Trustee understands Affiliate to mean any entity that controls, is controlled by, or is under common control with the Trustee and exists to make a profit.

Section 11.13. Section 2252.908, Texas Government Code. The Trustee represents and warrants, for purposes of Section 2252.908 of the Texas Government Code, that the Trustee is a wholly owned subsidiary of a publicly traded business entity.

[EXECUTION PAGE FOLLOWS]

IN WITNESS WHEREOF, the Board has caused these presents to be signed in its name and behalf and its official seal to be hereunto affixed and attested by its duly authorized officers and, to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be signed in its name and behalf and its corporate seal to be hereunto affixed and attested by its duly authorized officers, all as of the date first above written.

TEXAS WATER DEVELOPMENT BOARD

By _____
Chief Financial Officer

(SEAL)

ATTEST:

_____
Executive Administrator

THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee

By _____

Title: _____

(SEAL)

EXHIBIT A

FORM OF BOND

NO UNIT OF LOCAL GOVERNMENT OF THE STATE OF TEXAS PARTICIPATING IN THE SWIRFT PROGRAM ADMINISTERED BY THE TEXAS WATER DEVELOPMENT BOARD MAY PURCHASE THIS BOND, OR THIS BOND SHALL BE VOID.

Registered
No. R- ___

Registered
$_____

UNITED STATES OF AMERICA
STATE OF TEXAS
TEXAS WATER DEVELOPMENT BOARD
STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
REVENUE BOND, SERIES 2019A
(MASTER TRUST)

Interest Rate	Maturity Date	Date of Delivery	CUSIP NO.
___%	_____ 15, 20__	October __, 2019	

Registered Owner:

Principal Amount: _____ DOLLARS

Capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Indenture described herein.

THE TEXAS WATER DEVELOPMENT BOARD, an agency of the State of Texas (the *"Board"*), for value received, hereby promises to pay from the sources and as hereinafter provided to the Registered Owner shown above, or registered assigns, on the Maturity Date shown above the Principal Amount shown above, and in like manner to pay interest on said Principal Amount (computed on the basis of a 360-day year of twelve 30-day months) from the Date of Delivery shown above or from the most recent interest payment date to which interest has been paid or duly provided for, at the Interest Rate per annum shown above, semiannually on April 15, 2020, and on each October 15 and April 15 of each year thereafter (each a *"Payment Date"*), until said Principal Amount is paid.

The principal of and redemption premium, if any, and interest on, this Bond shall be payable in any currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts, and, except as otherwise provided herein, such principal and redemption premium, if any, shall be payable by

check or draft at the designated payment office in Houston, Texas, of The Bank of New York Mellon Trust Company, National Association, as Trustee (the *"Trustee"*), upon presentation and surrender of this Bond. Payment of the interest on this Bond shall be made to the person appearing on the Bond Register as the Registered Owner thereof as of the commencement of business of the Trustee on the Record Date for such Payment Date. If this Bond is held in book-entry only form, it will be registered in the name of the securities depository or its nominee, which will initially be Cede & Co., as nominee for The Depository Trust Company (*"DTC"*). Payments of interest on and principal of this Bond shall be made to DTC in accordance with its procedures. If this Bond is not held in book-entry-only form, payments of interest on and principal of this Bond shall be paid by check or draft of the Trustee mailed to such Registered Owner at its address as it appears on the Bond Register or at such other address as is furnished to the Trustee in writing by such Registered Owner. Notwithstanding the foregoing, payment of the principal, redemption premium, if any, and interest to any beneficial owner of $1,000,000 or more in aggregate principal amount of Bonds as of the commencement of business of the Trustee on the Record Date for a particular Payment Date may be made by wire transfer to such owner upon written notice to the Trustee from such owner containing the wire transfer address (which shall be in the continental United States of America) to which such owner wishes to have such wire directed and acknowledging that an electronic transfer fee is payable and which written notice is given by such owner to the Trustee not less than five (5) Business Days prior to such Record Date, in each case, irrespective of any transfer or exchange of the Bonds subsequent to such Record Date and prior to such Payment Date, unless the Board shall default in the payment of interest due on such Payment Date. In the event of any such default, such defaulted interest shall be payable to the person in whose name this Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by the Trustee, as Bond Registrar, which special record date shall not be less than ten (10) days preceding the date of payment of such defaulted interest. No principal of and redemption premium on this Bond is payable, unless the Registered Owner thereof shall have surrendered this Bond at the designated payment office of the Trustee.

This Bond and the series of which it is a part are special limited obligations of the Board, and are payable solely from the payments, revenues and receipts derived by the Board from the Political Subdivisions, and any other funds held by the Trustee under the Indenture and available for such payment, and are secured by a pledge and assignment of such payments, revenues, receipts and funds, as provided in the Indenture. This Bond and the series of which it is a part do not constitute an indebtedness, general or moral, or a pledge of the faith or loan of credit of the Board or the State of Texas (the *"State"*), within the purview of any constitutional limitation or provision. The Board is obligated to pay the principal of and interest on the Bonds and other costs incidental thereto only from the sources specified above. Neither the faith and credit nor the taxing power, if any, of the Board or the State is pledged to the payment of the principal of and interest on the Bonds or other costs incidental thereto. The Board has no taxing power.

This Bond, dated as of the Date of Delivery shown above, is one of an authorized series of Bonds of the Board in the aggregate principal amount of $_____ designated as "Texas Water Development Board State Water Implementation Revenue Fund for Texas Revenue Bonds, Series 2019A (Master Trust) (the *"Bonds"*), authorized by resolution of the Board and issued under and secured by a Bond Indenture dated as of October 1, 2019 (the *"Indenture"*),

duly executed and delivered by the Board to the Trustee, pursuant to and in full compliance with the laws of the State and particularly Subchapter H of Chapter 15 of the Texas Water Code (*"Subchapter H"*). The Bonds are issued for the purpose of providing moneys to fund loans to political subdivisions of the State through the purchase of Political Subdivision Obligations to finance state water plan projects, in furtherance of the laws of the State, particularly Subchapter H. To secure the payment of the principal of, premium, if any, and interest on the Bonds, the Board has pledged certain Political Subdivision Obligations to the Trustee under the Indenture.

To further secure the Bonds, the Board has entered into a Master Trust Indenture dated as of October 1, 2015 (the *"Master Trust Indenture"*) with The Bank of New York Mellon Trust Company, National Association, as Master Trustee, whereby certain moneys, to the extent available, will be deposited with the Master Trustee. Such moneys deposited with the Master Trustee will be available to the Trustee in the priorities specified in the Master Trust Indenture to provide a source of revenue or security for the payment of the Bonds, or in the event sufficient moneys are not available for the payment of the principal of and interest on the Bonds.

Copies of the Indenture and the Master Trust Indenture are on file at the principal corporate trust office of the Trustee, and reference is hereby made to the Indenture and the Master Trust Indenture for a description of the provisions, among others, with respect to the nature and extent of the security for the Bonds and the rights, duties and obligations of the Board, the Trustee and the owners of the Bonds.

The Bonds maturing on and after April 15, 20__, are subject to redemption, at the option of the Board, in whole or in part on any date on and after October 15, 20__ at the redemption price, of 100% of the principal amount thereof being redeemed, plus accrued interest thereon to the date fixed for redemption. Bonds to be redeemed pursuant to the optional redemption provisions above shall be selected from the maturities and in the principal amounts as shall be determined by the Board.

The Bonds scheduled to mature on October 15 in the years 20__ and 20__, and on April 15, 20__ (the *"Term Bonds*") are subject to scheduled mandatory redemption by the Paying Agent by lot, or by any other customary method that results in a random selection, at a price equal to the principal amount thereof, plus accrued interest to the redemption date, out of moneys available for such purpose in the interest and sinking fund for the Bonds, on the dates and in the respective principal amounts, set forth in the following schedule:

Term Bond
Maturity: October 15, 20__

Mandatory	Principal

Redemption Date	Amount($)
*	

Term Bond
Maturity: October 15, 20__

Mandatory Redemption Date	Principal Amount ($)
*	

Term Bond
Maturity: April 15, 20__

Mandatory Redemption Date	Principal Amount($)
*	

The principal amount of Term Bonds of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the Board, by the principal amount of any Term Bonds of the same maturity which, at least 45 days prior to a mandatory redemption date (1) shall have been acquired by the Board at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent for cancellation, (2) shall have been purchased and canceled by the Paying Agent at the request of the Board at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Unless waived by any owner of Bonds to be redeemed, official notice of any redemption of Bonds shall be published at least thirty (30) days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity once in a financial publication, journal or reporter of general circulation among securities dealers in The City of New York, New York or in the State of Texas. Such notice of redemption shall also be given by the Trustee on behalf of the Board by mailing a copy of an official redemption notice by first class mail, postage prepaid, at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to the owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register; *provided, however*, that the failure to send, mail or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond, and it is hereby specifically provided that the publication of such notice as required above shall be the only notice actually required in connection with or as a prerequisite to the redemption of any Bonds or portions thereof. Should notice to call Bonds for redemption at the option of the Board be given in the manner provided above, but the Board shall not be able to provide the Trustee with amounts sufficient to effect on the date fixed for redemption the payment of the entire redemption price of the Bonds so called for redemption, no Bonds shall be redeemed on the date fixed for redemption, and the notice of redemption for such Bonds shall be null and void.

This Bond is transferable, as provided in the Indenture, only upon the Bond Register kept for that purpose at the designated payment office of the Trustee at the written request of the Registered Owner hereof or his legal representative duly authorized in writing, upon surrender of this Bond to the Trustee, together with a written instrument of transfer satisfactory to the Trustee duly executed by the Registered Owner or his legal representative duly authorized in writing. Thereupon, and upon payment of the charges prescribed, a new Bond or Bonds of the same series and aggregate principal amount shall be issued to the transferee in exchange therefor as provided in the Indenture.

The Bonds are issuable in the form of fully registered bonds without coupons in the denomination of $5,000 each or any integral multiple thereof. Bonds may be exchanged for a Bond or Bonds of other authorized denominations of the same maturity, interest rate and aggregate principal amount.

The Registered Owner of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture. Modifications or alterations of the Indenture, or of any supplements thereto, may be made only to the extent and in the circumstances permitted by the Indenture.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture until the certificate of authentication hereon shall have been signed by a duly authorized signatory of the Trustee.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, the Texas Water Development Board has caused this Bond to be executed in its name by the manual or facsimile signature of its Chairman and attested by the manual or facsimile signature of its Executive Administrator, and its seal or a facsimile thereof to be hereunto affixed, impressed, imprinted or otherwise reproduced hereon, all as of the Date of Delivery shown above.

TEXAS WATER DEVELOPMENT BOARD

By:_____
Chairman

Attest:

By: _____ (SEAL)
Executive Administrator

CERTIFICATE OF COMPTROLLER OF PUBLIC ACCOUNTS (TO APPEAR ON INITIAL BONDS ONLY)

OFFICE OF COMPTROLLER :

REGISTER NO._____

STATE OF TEXAS :

I hereby certify that there is on file and of record in my office a true and correct copy of the opinion of the Attorney General of the State of Texas approving this Bond and that this Bond has been registered this day by me.

Witness my signature and seal this

_____
Comptroller of Public Accounts of
the State of Texas

CERTIFICATE OF AUTHENTICATION

It is hereby certified that this Bond has been issued under the provisions of the Indenture described on the face of this Bond; and that this Bond has been issued in conversion of and exchange for or replacement of a Bond, Bonds or a portion of a Bond or Bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, NATIONAL ASSOCIATION, as
Trustee

By _____
Authorized Signatory

Date of Authentication: _____

[FORM OF ASSIGNMENT]

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

UNIF GIFT/TRAN MIN ACT-- _____Custodian _____
(Cust) (Minor)
under Uniform Gifts/Trans to
Minors Act _____
(State)

TEN COM -- as tenants in common
TEN ENT -- as tenants by the entireties
JT TEN -- as joint tenants with right of survivorship and not as tenants in common

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

Print or Type Name, Address and Social Security Number
or other Taxpayer Identification Number of Transferee

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

_____

attorney to transfer the within Bond on the books kept by the Trustee for the registration thereof, with full power of substitution in the premises.

Dated: _____

_____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular.

Signature Guaranteed By:

_____

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution as defined by SEC Rule 17Ad-15 (17 CFR 240.17Ad-15).

By _____
Title: _____

EXHIBIT B

SCHEDULE OF POLITICAL SUBDIVISION OBLIGATIONS

EXHIBIT C

SCHEDULE OF TRANSFERS FROM ASSISTANCE ACCOUNT

Transfer Date	Amount ($)
04/15/2020	
10/15/2020	
04/15/2021	
10/15/2021	
04/15/2022	
10/15/2022	
04/15/2023	
10/15/2023	
04/15/2024	
10/15/2024	
04/15/2025	
10/15/2025	
04/15/2026	
10/15/2026	
04/15/2027	
10/15/2027	

EXHIBIT D

SCHEDULE OF TRUSTEE FEES

BOND INDENTURE

Dated as of October 1, 2019

between

Texas Water Development Board

and

The Bank of New York Mellon Trust Company, National Association,
as Trustee

Authorizing and Securing

$_____
TEXAS WATER DEVELOPMENT BOARD
STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
REVENUE BONDS, TAXABLE SERIES 2019B (MASTER TRUST)

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BOND INDENTURE

THIS BOND INDENTURE (the *"Indenture"*), dated as of October 1, 2019, between the TEXAS WATER DEVELOPMENT BOARD, an agency of the State of Texas (the *"Board"*), and THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association with trust powers duly organized, validly existing and authorized to accept and execute trusts of the character herein set out by virtue of the laws of the state of Texas, with a corporate trust office located in Houston, Texas, as Trustee (the *"Trustee"*);

WITNESSETH:

WHEREAS, pursuant to the Constitution and the laws of the State of Texas (the *"State"*), and particularly Chapter 15, Subchapter H of the Texas Water Code (*"Subchapter H"*), the Board is authorized to issue revenue bonds to provide money for the State Water Implementation Revenue Fund for Texas (*"SWIRFT"*); and

WHEREAS, under Subchapter H, the Board is authorized to use money in SWIRFT only to provide financing or refinancing for any State Water Plan Project, as defined herein; and

WHEREAS, under Subchapter H, the Board is authorized to provide for the management of SWIRFT and any accounts within SWIRFT by a corporate trustee that is a trust company or a bank that has the powers of a trust company, for and on behalf of the Board; and

WHEREAS, to facilitate the issuance of revenue bonds under Subchapter H, the Board executed and delivered a Master Trust Indenture, dated as of October 1, 2015, between the Board and The Bank of New York Mellon Trust Company, National Association, acting in the capacity of Master Trustee (the *"Master Trust Indenture"*); and

WHEREAS, the Board has determined to issue under this Indenture a series of bonds pursuant to Subchapter H to be designated TEXAS WATER DEVELOPMENT BOARD STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS REVENUE BONDS, TAXABLE SERIES 2019B (MASTER TRUST) (the *"Bonds"*), in the aggregate principal amount of $_____ for the purpose of providing funds in furtherance of Subchapter H to provide financing for any State Water Plan Project, and to pay the costs of issuance of the Bonds; and

WHEREAS, pursuant to a resolution adopted by the Board on July 22, 2019 (the *"Authorizing Resolution"*), the Board is authorized to execute and deliver this Indenture for the purpose of issuing and securing the Bonds as hereinafter provided; and

WHEREAS, all acts and things have been done and performed which are necessary to make the Bonds, when executed and issued by the Board, authenticated by the Trustee and delivered, the legal, valid and binding special, limited obligations of the Board in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent applicable, and to make this Indenture a valid and binding agreement for the security of Bonds authenticated and delivered under this Indenture;

GRANTING CLAUSES

NOW, THEREFORE, in consideration of the acceptance by the Trustee of the trusts and duties set forth in this Indenture on behalf of the holders and owners of all Bonds issued and secured hereunder; of the purchase and acceptance of the Bonds issued and secured by this Indenture by the holders and owners thereof; of the payment of the purchase price of the Bonds to the Trustee for application as provided hereinafter; and in order to secure the payment of any and all Bonds at any time issued and outstanding hereunder, according to the tenor and effect thereof and the interest thereon, the payment of all costs, fees and charges specified herein, and the payment of all other sums, if any, from time to time due to the holders and owners of all Bonds issued and secured hereunder and to the Trustee or its successors and assigns, or to others, according to the intent and meaning of all such Bonds and this Indenture, and for the purpose of securing the performance and observance by the Board of all the covenants and conditions herein contained, the Board has conveyed, transferred, assigned, confirmed, pledged and granted a security interest to, and does hereby convey, transfer, assign, confirm, pledge and grant a security interest to, the Trustee, and its successor or successors in trust, as Trustee for the benefit of the holders and owners of all Bonds issued and secured hereunder, in the following described properties, rights, interest and benefits, whether movable or immovable, real, personal or mixed, tangible or intangible (which are collectively called the *"Trust Estate"* or the *"Security"*):

GRANTING CLAUSE FIRST

All right, title and interest of the Board in and to the Political Subdivision Obligations set forth on Exhibit B made with the proceeds of the Bonds, as such Exhibit may be supplemented and amended from time to time in accordance with the terms of this Indenture, including the interest of the Board in and to all proceeds, fees, charges, Revenues, income, rentals, receipts, issues and benefits under the Political Subdivision Obligations, and the Repayments, as hereinafter defined, and all financing statements or other agreements, instruments or documents evidencing, securing or otherwise relating to the Political Subdivision Obligations and the Repayments;

GRANTING CLAUSE SECOND

All right, title and interest in and to any and all other property, movable or immovable, real, personal or mixed, tangible or intangible, from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred, as and for additional security hereunder, by the Board or by anyone on behalf of the Board or with its written consent to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of this Indenture; and

GRANTING CLAUSE THIRD

All cash, moneys, securities, investments and interest earnings and investment income on such securities and investments, including specifically Political Subdivision Obligations not set forth on Exhibit B hereto and any moneys transferred to the Trustee in accordance with the

Master Trust Indenture, which may at any time and from time to time, pursuant to the provisions of this Indenture, be paid to the Trustee or held by the Trustee in the funds and accounts created under this Indenture, except for (i) the interest of the Trustee in such cash, moneys, securities and investments as may otherwise appear in this Indenture, and (ii) moneys on deposit in the Costs of Issuance Account;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all owners of the Bonds issued under and secured by this Indenture without privilege, preference, priority or distinction as to lien or otherwise, except as otherwise may be provided herein, of any of the Bonds over any other of the Bonds by reason of priority in their issuance or of principal over interest or interest over principal;

PROVIDED, HOWEVER, that if the Board, its successors or assigns, shall well and truly pay, or cause to be paid, the principal of the Bonds and the redemption premium, if any, and interest due or to become due thereon, at the times and in the manner mentioned in the Bonds according to the true intent and meaning thereof, or shall provide, as permitted and provided by Article IX hereof, for the payment thereof and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions of this Indenture, then this Indenture and the rights hereby granted to the Trustee pursuant to this Indenture by the Board shall cease, determine and be void, otherwise this Indenture shall continue to be and remain in full force and effect;

MONEYS HELD IN or credited to the State Water Implementation Fund for Texas ("*SWIFT*") are not part of the Trust Estate and are not Security for the Bonds.

It is expressly declared that all the Bonds are to be issued, authenticated and delivered and the Trust Estate hereby pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed and the Board has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective holders and owners, from time to time, of the Bonds, or any interest therein, as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. The words and terms defined in the preamble to this Indenture and in this Section shall for all purposes of this Indenture have the meanings herein specified, unless the context clearly otherwise requires. Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa and the words "hereof" and "herein" shall be construed to refer to the entirety of this Indenture, and shall not be restricted to the particular Article, Section, subsection or paragraph in which they appear. References to any constitutional, statutory or regulatory provision means such provision as it

exists on the date of this Indenture and any future amendments thereto or successor provisions thereof. References to any officer or designated position (e.g., Executive Administrator) include any Person acting in the capacity of such officer or designated position, whether on an acting, interim or permanent basis.

"*Act*" means Subchapter H.

"Advisory Committee" means the State Water Implementation Fund for Texas Advisory Committee established under the provisions of Subchapter G.

"*Affiliate*" means, with respect to the Trustee, any Person directly or indirectly controlling, controlled by, or under common control with, the Trustee.

"Assistance Account" means the account so designated and established by Section 4.1 of this Indenture.

"*Authorized Denominations"* means $5,000 or any integral multiple thereof.

"*Authorizing Resolution"* means the resolution adopted by the Board on July 22, 2019, authorizing the issuance of the Bonds and the execution of this Indenture.

"*Beneficial Owner"* or *"beneficial owner"* shall mean any Person who acquires a beneficial ownership interest in a Bond held by DTC or any successor Securities Depository hereunder. In determining the Beneficial Owner of the Bond, the Trustee may rely conclusively upon written representations made and written information given to the Trustee by DTC or any successor Securities Depository hereunder or their respective participants with respect to any Bond held by DTC or any successor Securities Depository hereunder in which a beneficial interest is claimed.

"Board" means the Texas Water Development Board.

"*Board Representative"* means the Executive Administrator, the Chief Financial Officer of the Board, the Development Fund Manager, and any other member, officer or employee of the Board authorized by resolution of the Board to perform the act or sign the document in question.

"*Bond Counsel"* means McCall, Parkhurst & Horton L.L.P, or other counsel selected by the Board and acceptable to the Trustee and nationally recognized as experienced in matters relating to bonds issued by states and their political subdivisions.

"*Bondholder", "Bondowner", "holder"* or *"owner"* or any similar term, when used with reference to a Bond or Bonds, means any Person who shall be the registered owner of any Outstanding Bond or Bonds.

"*Bond Register"* means the registration record maintained by the Bond Registrar under Section 2.6 of this Indenture.

"*Bond Registrar*" means the Trustee.

"*Bonds*" means the Texas Water Development Board State Water Implementation Revenue Fund for Texas Revenue Bonds, Taxable Series 2019B (Master Trust) of the Board, issued in the original aggregate principal amount of $_____, pursuant to this Indenture.

"*Business Day*" means any day other than a Saturday, a Sunday or any other day on which commercial banking institutions in New York, New York, or the city which the designated corporate trust office of the Master Trustee are authorized or required to be closed.

"*Code*" means the Internal Revenue Code of 1986, as may be amended from time to time, and all applicable temporary, proposed and final regulations and procedures promulgated under the Code or promulgated under the Internal Revenue Code of 1954, to the extent applicable to the Code (the "*Treasury Regulations*").

"*Comptroller*" means the Texas Comptroller of Public Accounts.

"*Costs of Issuance*" means the costs of issuance of the Bonds as certified by the Board on the Date of Delivery.

"*Costs of Issuance Account*" means the account so designated and established by Section 4.1 hereof.

"*Coverage Requirement*" has the meaning as set forth in Section 5.10 of this Indenture.

"*Date of Delivery*" means the initial date of delivery of the Bonds by the Board to the initial purchasers thereof.

"*Debt Service Account*" means the account so designated and established by Section 4.1 of this Indenture.

"*Defeasance Securities*" means (i) Federal Securities, (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 the Board adopts or approves proceedings authorizing the issuance of refunding bonds or, if such defeasance is not in connection with the issuance of refunding bonds, on the date the Board provides for the funding of an escrow to effect the defeasance of the Bonds, 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 the Board adopts or approves proceedings authorizing the issuance of refunding bonds or, if such defeasance is not in connection with the issuance of refunding bonds, on the date the Board provides for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally-recognized investment rating firm not less than "AAA" or its equivalent, or (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under the then applicable laws of the State.

"Disclosure Counsel" means Bracewell LLP, or other counsel selected by the Board and nationally recognized as experienced in matters relating to bonds issued by states and their political subdivisions.

"DTC" has the meaning as set forth in Section 2.10 of this Indenture.

"*DTC Participant*" means the securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions.

"*Electronic Means*" shall mean the following communications methods: email, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

"EMMA" means the Electronic Municipal Market Access system.

"Events of Default" means any one or more of the events specified as such in Section 6.1 of this Indenture.

"Federal Securities" means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America.

Fitch" means Fitch Ratings, Inc., and its successors and assigns.

"Indenture" means this Bond Indenture, as supplemented or amended by any Supplemental Indenture.

"Interest Payment Date" means April 15, 2020, and each October 15 and April 15 thereafter until maturity or prior redemption of the Bonds.

"Investment Agreement" means any of the following:

(1) any investment agreement with financial institutions whose long-term obligations are rated within the top two rating categories (without regard to gradations within the rating category) of any nationally recognized rating service or whose short-term obligations are rated within the top rating category of any nationally recognized rating service;

(2) any investment agreement rated within the top two rating categories of any nationally recognized rating service; and

(3) any investment agreement fully secured by Federal Securities.

"Investment Securities" means any of the following:

(1) Federal Securities;

(2) Investment Agreements;

(3) Demand deposits, including interest bearing money market accounts, time deposits, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits, other deposit products, certificates of deposit, including those placed by a third party pursuant to an agreement between the Trustee and the Board, or bankers acceptances of depository institutions, including the Trustee or any of its Affiliates;

(4) The following bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed full faith and credit of the United States of America (stripped securities being permitted only if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the United States Export-Import Bank, (ii) participation certificates and guaranteed pool certificates of the Small Business Administration; (iii) debentures of the Federal Housing Administration; (iv) guaranteed mortgage-back bonds and guaranteed pass-through obligations of the Government National Mortgage Association; and (v) project notes, local authority bonds, guaranteed debentures and guaranteed public housing notes and bonds of the United States Department of Housing and Urban Development;

(5) The following bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States government agencies (stripped securities being permitted only if they have been stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association; (iv) obligations of the Resolution Funding Corporation; and (v) obligations of the Federal Farm Credit Banks Funding Corporation;

(6) Money market funds registered under the Investment Company Act of 1940, the shares of which are registered under the Securities Act of 1933, and having a rating of no less than "AA" or its equivalent from a nationally recognized rating agency, including those for which the Trustee or an Affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise;

(7) Commercial paper, with a maturity not greater than 270 days, and rated, at the time of purchase, "Prime-1" by Moody's, "F1" or better by Fitch or "A-1" or better by S&P;

(8) General obligation bonds, notes or other obligations of states that are rated within the top two rating categories (without regard to gradations within the rating category) from a nationally recognized rating agency;

(9) Pre-refunded municipal obligations meeting the following conditions: (i) such obligations are (a) not to be redeemed prior to maturity or irrevocable instructions concerning

their calling and redemption have been given and (b) the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions; (ii) such obligations are secured by Federal Securities that may be applied only to interest, principal, and premium payments of such obligations; (iii) the principal of and interest on such Federal Securities (plus any cash in the escrow fund with respect to such pre-refunded obligations) are sufficient to meet the liabilities of the obligations; (iv) the Federal Securities are serving as security for the obligations are held by an escrow agent or trustee; and (v) such Federal Securities are not available to satisfy any other claims, including those against the escrow agent or trustee;

(10) Repurchase agreements that conform to the provisions of the Public Funds Investment Act (Chapter 2256 of the Texas Government Code); and

(11) Federal funds or bankers' acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "A-1/Prime-1" or "Aa3" or better by Moody's and "F1" or "A" or better by Fitch and "A-1" or "A" or better by S&P at the time of the investment.

Ratings of Investment Securities shall be determined at the time of purchase of such Investment Securities and without regard to ratings subcategories, and the Trustee shall have no responsibility to monitor the ratings thereof. Moneys shall be invested in the manner permitted by the laws of the State, including, without limitation, Subchapter H.

"*Master Trust Bonds*" means all bonds of the Board at any time outstanding and secured under the Master Trust Indenture.

"*Master Trust Indenture*" means the Master Trust Indenture, dated as of October 1, 2015, between the Board and the Master Trustee, as further amended and supplemented.

"*Master Trustee*" means The Bank of New York Mellon Trust Company, National Association, Houston, Texas, as master trustee under the Master Trust Indenture, and any successor trustee pursuant to the Master Trust Indenture at the time serving as Master Trustee thereunder.

"*Moody's*" means Moody's Investors Service, Inc., and its successors and assigns.

"*MSRB*" means the Municipal Securities Rulemaking Board.

"*Officer's Certificate*" means a certificate of the Board signed by a Board Representative.

"*Outstanding*" or "*outstanding under this Indenture*" or "*outstanding hereunder*", when used with reference to the Bonds, means, at any date as of which the amount of Outstanding Bonds is to be determined, the aggregate of all Bonds authorized and issued by the Board and authenticated and delivered by the Trustee under this Indenture, except:

(a) Bonds cancelled or surrendered to the Trustee for cancellation pursuant to Section 2.9 hereof on or prior to such date;

(b) Bonds deemed to have been paid as provided in Section 9.1 hereof; and

(c) Any Bond in lieu of or in substitution for which another Bond or Bonds shall have been issued by the Board and authenticated and delivered by the Trustee pursuant to this Indenture, unless proof satisfactory to the Trustee is presented that such Bond is held by a *bona fide* holder in due course.

In determining whether the holders of a requisite aggregate principal amount of Bonds Outstanding have concurred in any request, demand, authorization, direction, notice or waiver under this Indenture, Bonds which are owned by the Board shall be disregarded and deemed not to be outstanding for the purpose of any such determination; *provided, however,* that for the purpose of determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, or waiver, only Bonds which the Trustee knows to be so owned shall be so disregarded.

"Paying Agent" means any paying agent for the Bonds (initially, the Trustee) and its successor or successors appointed pursuant to the provisions of this Indenture.

"Payment Date" means an Interest Payment Date or a Principal Payment Date.

"Person" shall mean an individual or an entity, including, without limitation, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, an unincorporated organization, a governmental body or a Political Subdivision, a municipal corporation, a public corporation or any other group or organization of individuals.

"*Political Subdivision*" has the meaning specified for that term in Section 15.001(5), Texas Water Code. For purposes of this Indenture, the term *"Political Subdivision"* includes a Water Supply Corporation.

"Political Subdivision Obligation" means each bond, note, agreement or other evidence of indebtedness purchased from or entered into by the Board with a Political Subdivision, evidencing the obligation of the Political Subdivision to repay the financial assistance made or incurred pursuant thereto from the proceeds of the Bonds, as further described in Exhibit B attached hereto. The term *"Political Subdivision Obligation"* excludes any Political Subdivision Obligation released pursuant to Section 5.10 of this Indenture from and after such release and includes any Political Subdivision Obligation substituted pursuant to Section 5.10 of this Indenture from and after such substitution.

"Portfolio Account" means the account so designated and established by Section 4.1 of this Indenture.

"Prepayment" shall mean any amount received by the Board from payment of principal of a Political Subdivision Obligation, which amount is received prior to the scheduled payment

date of such Political Subdivision Obligation.

"*Principal Payment Date*" means April 15 in each of the years 20__ through 20__, and on October 15 in each of the years 20__ through 20__, until maturity or prior redemption of the Bonds. A Principal Payment Date includes a mandatory sinking fund redemption date of the Bonds.

"*Program Account*" means the account by that name established by Section 301 of the Master Trust Indenture.

"*Project Financing Account*" means the account so designated and established by Section 4.1 of this Indenture.

"*Rating Agencies*" means any rating agency that, at the request of the Board, has issued and is currently maintaining a rating on the Bonds.

"*Record Date*" means the last Business Day of the calendar month next preceding each Interest Payment Date.

"*Redemption Date*" means the date all or a portion of the Bonds are scheduled for redemption prior to maturity, through the exercise of rights reserved by the Board to effect an optional redemption of Bonds.

"*Repayment*" means any payment due and payable by a Political Subdivision in repayment of its Political Subdivision Obligation.

"*Representation Letter*" has the meaning as set forth in Section 2.10 of this Indenture.

"*Revenue Account*" means the account so designated and established by Section 4.1 of this Indenture.

"*Revenues*" means all Repayments paid to or for the account of the Board and any other payments made to or for the account of the Board by the Political Subdivisions under their Political Subdivision Obligations.

"*Rule*" means SEC Rule 15c2-12.

"*S&P*" means S&P Global Ratings, a business unit of Standard & Poor's Financial Service LLC, and its successors and assigns.

"*SEC*" means the United States Securities and Exchange Commission.

"*Security*" or "*Trust Estate*" is defined in the Granting Clauses to this Indenture.

"Securities Depository" means any "clearing agency" registered under Section 17A of the Securities Exchange Act of 1934, as amended, other than DTC, holding the Bonds in a book-entry-only system pursuant to Section 2.10 hereof.

"Significant Borrower" means any Political Subdivision whose outstanding aggregate principal amount of bonds issued by such Political Subdivision and held, on and after April 1, 2019, in the Portfolio Account comprises at least twenty percent (20%) in aggregate principal amount of all Political Subdivision Obligations held in the Portfolio Account.

"State" means the State of Texas.

"State Water Plan" means the comprehensive water plan for the State prepared, developed, formulated and adopted by the Board no less often than every five (5) years pursuant to Subchapter C of Chapter 16 of the Texas Water Code. For purposes of this Indenture, the term *"State Water Plan"* means the comprehensive water plan for the State adopted by the Board on May 19, 2016, as amended, effective for the next succeeding five (5) year period.

"State Water Plan Bonds" means, for purposes of this Indenture, revenue bonds (including the Bonds) issued by the Board, or agreements executed by the Board, to finance State Water Plan Projects in accordance with the laws of the State, specifically revenue bonds issued under authority of Subchapter H that shall be payable from designated income and receipts of SWIRFT, including principal of and interest paid and to be paid on assets of SWIRFT or income from accounts created within SWIRFT by the Board.

"Subchapter G" means Subchapter G of Chapter 15 of the Texas Water Code.

"Subchapter H" means Subchapter H of Chapter 15 of the Texas Water Code.

"Supplemental Indenture" or *"indenture supplemental hereto"* means any indenture supplemental to or amendatory of this Indenture as originally executed, which is duly executed in accordance with the provisions of this Indenture.

"Surplus Revenue Account" means the account so designated and established by Section 4.1 of this Indenture.

"SWIFT" means the State Water Implementation Fund for Texas, created pursuant to Article 3, Section 49-d-12 of the State Constitution, as supplemented and amended.

"SWIRFT" means the State Water Implementation Revenue Fund for Texas, created pursuant to Article 3, Section 49-d-13 of the State Constitution, as supplemented and amended.

"Transfer Account" means the account by that name established by Section 302 of the Master Trust Indenture.

"Trustee" means The Bank of New York Mellon Trust Company, National Association, a national banking association, and any successor trustee pursuant to Section 7.5 or Section 7.9 hereof at the time serving as Trustee under this Indenture.

"TTSTC" means the Texas Treasury Safekeeping Trust Company.

"*Water Supply Corporation*" means a nonprofit water supply corporation created and operating under Chapter 67 of the Texas Water Code.

Section 1.2. Security for Bonds and Sources of Payments; Perfection of Security Interest. (a) The Bonds and the interest and any premium thereon shall be special, limited obligations of the Board secured by and payable solely from the Security. The Board hereby pledges and grants a lien on the Security to secure payment of the principal of, premium, if any, and interest on the Bonds and the respective owners thereof shall have a valid claim only against the Security and other funds and accounts, which Security and other funds and accounts are hereby pledged for the equal and ratable payment of the Bonds and the premium, if any, and interest thereon and shall be used for no other purpose other than to pay the principal of and premium, if any, and interest on the Bonds, except as may be otherwise expressly authorized in this Indenture. The Bonds and the premium, if any, and interest thereon shall not now and shall never constitute an indebtedness or an obligation, general or moral, or a pledge of the faith or loan of credit of the Board or the State, within the purview of any constitutional limitation or provision, and shall never constitute or give rise to a charge against the faith and credit or taxing powers, if any, of the Board or the State, but shall be special, limited obligations of the Board, payable solely from the Trust Estate established hereunder and the Master Trust Indenture, the proceeds from the sale of the Bonds and the income from the temporary investment thereof. The Board has no taxing power.

(b) Chapter 1208 of the Texas Government Code applies to the issuance of the Bonds and the pledge of the revenues made pursuant to this Indenture, and such pledge is therefore valid, effective and perfected. If State law is amended at any time while the Bonds are outstanding and unpaid such that such pledge is to be subject to the filing requirements of Chapter 9 of the Texas Business and Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the Board agrees to take such measures as it determines are reasonable and necessary under State law to comply with the applicable provisions of Chapter 9 of the Texas Business and Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 1.3. Day Counting. With respect to the interest on the Bonds, all computations hereunder involving numbers of days shall be made on the basis of a 360-day year consisting of twelve 30-day months.

ARTICLE II

GENERAL TERMS AND PROVISIONS OF BONDS

Section 2.1. Authorized Amount of Bonds. There is hereby authorized for issuance under this Indenture one series of Bonds designated "TEXAS WATER DEVELOPMENT BOARD STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS REVENUE BONDS, TAXABLE SERIES 2019B (MASTER TRUST)" in the original aggregate principal amount of $_____. No Bonds may be issued under the provisions of this Indenture except in accordance with this Article II.

Section 2.2. Terms of Bonds. (a) The Bonds shall be dated the Date of Delivery, shall mature on the dates and in the principal amounts and shall bear interest at the interest rates per annum as follows:

MATURITY SCHEDULE

Date	Principal Amount ($)	Interest Rate	Date	Principal Amount ($)	Interest Rate

(b) Each Bond shall bear interest from its Date of Delivery, or from the most recent date to which interest has been paid or duly provided for, payable semiannually on each Interest Payment Date. Interest shall be computed on the basis described in Section 1.3 of this Indenture.

(c) The Bonds are subject to redemption prior to maturity as set forth in Section 2.3 of this Indenture.

(d) The Bonds shall be issued in Authorized Denominations. The Bonds shall be lettered R and numbered from one consecutively upwards in order of issuance according to the Bond Register maintained by the Trustee as Bond Registrar or in such other manner as shall be determined by the Bond Registrar. The Bonds issued under this Indenture and the Trustee's certificate of authentication to be endorsed on all such Bonds shall be substantially in the form in Exhibit A attached hereto and made a part hereof, with such appropriate variations, additions and omissions as are permitted or required by this Indenture. The Bonds may have such letters, numbers or other identifying marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures ("*CUSIP*") provided by S&P

Global Market Intelligence on behalf of the American Bankers Association and such legends and endorsements thereon as may, consistent herewith, be approved by the Board Representative.

(e) The Trustee is hereby designated as and agrees to act as Paying Agent and Bond Registrar for and with respect to the Bonds.

(f) The principal of and premium, if any, and interest on the Bonds shall be paid by the Trustee to the registered owner of such Bond as shown on the Bond Register at the close of business on the Record Date, (1) by check or draft mailed on the Payment Date to such registered owner at the address as it appears on the Bond Register at the close of business on the Record Date, or (2) at the written request addressed to the Trustee by any registered owner of Bonds in the aggregate principal amount of at least $1,000,000, by electronic wire transfer in immediately available funds to a bank in the continental United States for credit to the ABA routing number and account number filed with the Trustee no later than five (5) Business Days before the applicable Record Date.

Section 2.3. Redemption; Notice of Redemption. (a) The Bonds shall be subject to optional or mandatory sinking fund redemption by the Board prior to maturity in the manner and at the redemption price, as may be provided in this Section 2.3, and as further described in the Form of Bond. The Bonds are subject to redemption at the option of the Board, at any time and from time to time, in whole or in part, at the redemption price determined in the manner described in the Form of Bond. Bonds to be redeemed pursuant to the optional redemption provisions above shall be selected from the maturities and in the principal amounts as shall be determined by the Board. The exercise by the Board of its option to redeem any Bonds shall be evidenced by an Officer's Certificate and delivered to the Trustee at least forty-five (45) days prior to the Redemption Date fixed by the Board (unless a shorter notice shall be satisfactory to the Trustee), of such Redemption Date and, in case of any redemption at the election of the Board of less than all the Outstanding Bonds, of the respective principal amounts of the Bonds called for redemption.

(b) The Trustee shall select the Bonds, or portions thereof, to be redeemed from each maturity by lot, in such manner as it shall in its discretion determine.

(c) Unless waived by any Bondholder of Bonds to be redeemed, official notice of any redemption of Bonds shall be given by the Trustee on behalf of the Board by (i) publishing the redemption notice once in a financial publication, journal or reporter of general circulation among securities dealers in The City of New York, New York or in the State of Texas at least thirty (30) days prior to the date fixed for redemption of the Bonds and (ii) mailing a copy of an official redemption notice by United States mail, first class, postage prepaid, at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to the Bondholder of the Bond or Bonds to be redeemed at the address shown on the Bond Register; *provided, however*, that the failure to send, mail or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond, and it is hereby specifically provided that the giving of such notice as required above shall be the only notice actually required in connection with or as a prerequisite to the redemption of any of the Bonds or portions thereof. The distribution of any such notice of

redemption of Bonds to be redeemed shall be given by the Trustee in the name of the Board and at the expense of the Board.

(d) All official notices of redemption shall be dated, and shall state:

(1) the date fixed for redemption,

(2) the redemption price,

(3) the CUSIP numbers of all Bonds being redeemed (*provided, however*, that such notice may contain a disclaimer as to the accuracy of such numbers),

(4) if less than all Outstanding Bonds are to be redeemed, the identification and the respective principal amounts of the Bonds to be redeemed,

(5) that on the date fixed for redemption the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and

(6) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the designated payment office of the Trustee.

(e) In addition to the foregoing notice, further notice shall be given by the Trustee on behalf of the Board as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

(1) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption, plus (i) the CUSIP numbers of all Bonds being redeemed (*provided, however*, that such notice may contain a disclaimer as to the accuracy of such numbers); (ii) the date of issuance of the Bonds as originally issued; (iii) the rate of interest borne by each Bond being redeemed; (iv) the maturity date of each Bond being redeemed; and (v) any other descriptive information as may be determined by the Board to be needed to identify accurately the Bonds being redeemed.

(2) Each further notice of redemption shall be sent one day prior to the date of mailing such notice to the owners of the Bonds by registered or certified mail or overnight delivery service to DTC and by facsimile or electronic transmission to EMMA or, upon the advice of Disclosure Counsel, one or more national information services that disseminate notices of redemption of obligations such as the Bonds.

(f) Upon the payment of the redemption price of Bonds being redeemed, each check or, at the best efforts of the Trustee, other transfer of funds issued for such purpose shall bear the

CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

(g) Notice of an optional redemption permitted by subsection (a) of this Section 2.3 may be made conditional upon the occurrence of events as shall be specified in such notice. The Trustee shall rescind such notice of the optional redemption of Bonds in accordance with this Section in the event moneys available solely for such optional redemption in accordance with the requirements of this Section and sufficient to pay the Bonds called for optional redemption and accrued interest thereon to the date fixed for redemption and the redemption premium, if any, shall not have been deposited with the Trustee by the close of business of the fifth Business Day next preceding such optional redemption date.

(h) Upon the happening of the above conditions, and notice having been given as provided in this Section, the Bonds or the portions of the principal amount of Bonds thus called for redemption shall cease to bear interest on the specified redemption date, *provided*, that moneys sufficient for the payment of the redemption price are on deposit at the place of payment on the Payment Date, and shall no longer be entitled to the protection, benefit or security of this Indenture and shall not be deemed to be Outstanding under the provisions of this Indenture.

Section 2.4. Execution and Authentication. (a) The Bonds shall be executed on behalf of the Board with the official manual or facsimile signature of its Chairman and attested with the official manual or facsimile signature of its Executive Administrator, and shall have affixed, impressed, imprinted or otherwise reproduced thereon the official seal of the Board or a facsimile thereof. In case any officer whose signature or facsimile of whose signature shall appear on the Bonds shall cease to be such officer before the delivery of such Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes with the same force and effect as if such officer had remained in office until delivery.

(b) No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Indenture unless and until a certificate of authentication substantially in the form set forth in Exhibit A attached hereto and made a part hereof shall have been duly executed by a duly authorized signatory of the Trustee, and such executed certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Indenture. The Trustee's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized signatory of the Trustee, but it shall not be necessary that the same authorized signatory sign the certificate of authentication on all of the Bonds issued under this Indenture. The foregoing notwithstanding, if the Comptroller's Certificate of Registration substantially in the form set forth in Exhibit A attached hereto and made a part hereof shall have been duly executed by the Comptroller or a representative thereof, the Trustee shall not be required to execute the certificate of authentication described in the first sentence of this subsection (b).

Section 2.5. Mutilated, Lost, Stolen or Destroyed Bonds. In the event any Outstanding Bond, whether temporary or definitive, is mutilated, lost, stolen or destroyed, the Board may execute and, upon its request, the Trustee may authenticate a new Bond of the same principal amount and series and of like tenor as the mutilated, lost, stolen or destroyed Bond; *provided*,

that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Board and the Trustee evidence of the ownership thereof and of such loss, theft or destruction in form satisfactory to the Board and the Trustee, together with an indemnity satisfactory to them. In the event any such Bond shall have matured or been called for redemption, instead of issuing a substitute Bond the Board may authorize the payment of the same. The Board and the Trustee may charge the holder or owner of such Bond with their reasonable fees and expenses in this connection. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be destroyed, lost or stolen shall constitute an original contractual obligation on the part of the Board, whether the Bond so alleged to be destroyed, lost or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture together with all other Bonds in substitution for which such Bonds were issued.

Section 2.6. Registration of Bonds. (a) All of the Bonds issued under this Indenture shall be negotiable, subject to the provisions for registration and transfer contained in this Indenture and in the Bonds. The Trustee shall be the Bond Registrar for the Bonds. So long as any of the Bonds shall remain Outstanding, there shall be maintained and kept for the Board, at the designated payment office of the Trustee, the Bond Register for the registration and transfer of the Bonds.

(b) Each Bond shall be transferable only upon the Bond Register at the designated payment office of the Trustee at the written request of the registered owner thereof or the legal representative thereof duly authorized in writing upon surrender thereof, together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or the legal representative thereof duly authorized in writing. Upon the transfer of any Bond, the Board shall issue in the name of the transferee, in Authorized Denominations, one or more Bonds of the same series and aggregate principal amount and with the same maturity as the surrendered Bonds.

(c) In case any tax, assessment or governmental or other charge upon any part of the Trust Estate is not paid as required herein, including, without limitation, charges levied against an owner of a Bond sufficient for reimbursement of any governmental charges required to be paid in the event such owner fails to provide a correct taxpayer identification number to the Trustee, the Trustee may pay such tax, assessment or governmental or other charge, without prejudice, however, to any rights of the Trustee or the Bondholders hereunder arising in consequence of such failure; and any amount at any time so paid under this clause (c) shall become so much additional indebtedness secured by this Indenture, and the same shall be paid out of the proceeds of Revenues collected from the property herein conveyed, if not otherwise caused to be paid; but the Trustee shall be under no obligation to make any such payment unless it shall have been provided with adequate funds for the purpose of such payment.

Section 2.7. Persons Treated as Bondholders. (a) Subject to the provisions of Section 2.2 hereof governing the payment of interest on any Bond transferred after a Record Date and prior to a Payment Date, for the purpose of receiving payment of, or on account of, the principal of and interest on any fully registered Bond and for all other purposes, the Board, the Trustee, the Bond Registrar and any Paying Agent may deem and treat the person in whose name

such Bond shall be registered upon the Bond Register as the absolute owner of such Bond, whether or not such Bond is overdue, and neither the Board, the Trustee, the Bond Registrar nor any Paying Agent shall be affected by any notice to the contrary.

(b) Payment made to the Person deemed to be the owner of any Bond for the purpose of such payment in accordance with the provisions of this Section shall be valid and effectual, to the extent of the sum or sums so paid, to satisfy and discharge the liability upon such Bond in respect of which such payment was made.

Section 2.8. Exchange and Transfer of Bonds. (a) As long as any Bond remains Outstanding, the exchange of Bonds shall be permitted at the designated payment office of the Trustee.

(b) Any Bond or Bonds, upon surrender thereof at the designated payment office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his legal representative duly authorized in writing, may, at the option of the owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same series of any other Authorized Denominations.

(c) In all cases in which the privilege of exchanging or transferring Bonds is exercised, the Board shall execute and the Trustee shall deliver Bonds in accordance with the provisions of this Indenture. For every such exchange or transfer of Bonds, whether temporary or definitive, the Board or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer.

Section 2.9. Cancellation and Destruction of Surrendered Bonds. Upon the surrender to the Trustee of any temporary or mutilated Bonds, or Bonds transferred or exchanged for other Bonds, or Bonds paid at maturity by the Board, the same shall forthwith be cancelled and periodically destroyed by the Trustee.

Section 2.10. Book-Entry System. The Bonds are eligible to be maintained in the book-entry-only system of The Depository Trust Company, New York, New York ("*DTC*"), and will be initially delivered in book-entry-only form.

(a) So long as the Bonds are in book-entry-only form, the Trustee shall comply with the terms of the Board's blanket letter of representations to DTC (herein the "*Representation Letter*"). References herein to Bondholders or registered Owners of the Bonds shall mean the registered Owner as set forth in the Representation Letter, and shall not mean the Beneficial Owners of the Bonds. However, the book-entry-only system through DTC may be terminated upon the happening of any of the following:

(i) DTC or the Board advises the Trustee that DTC is no longer willing or able to properly discharge its responsibilities under the Representation Letter and the

Trustee or the Board is unable to locate a qualified successor clearing agency satisfactory to the Trustee and the Board.

(ii) The Board, in its sole discretion, but with the consent of the Trustee, elects to terminate the book-entry-only system by notice to DTC and the Trustee; or

(iii) After the occurrence of an Event of Default (at which time the Trustee promptly shall notify DTC of such Event of Default), the Beneficial Owners of a majority in aggregate principal amount of the Bonds advise the Trustee in writing, through DTC, that the continuation of a book-entry-only system through DTC, to the exclusion of any definitive Bond certificates being issued to any person other than DTC or its nominee is no longer in the best interest of the Beneficial Owners.

(b) Upon the occurrence of any event described in subsection (a) above, the Trustee shall notify DTC of the occurrence of such event and of the availability of definitive Bond certificates to Beneficial Owners requesting the same, in an aggregate outstanding amount representing the interest of each Owner, making such adjustments and allowances as it may find necessary or appropriate as to accrued interest. Definitive Bond certificates shall be issued only upon surrender to the Trustee of the Bond by DTC, accompanied by registration instructions from DTC for the definitive Bond certificates. Neither the Board nor the Trustee shall be liable for any delay in delivery of such instructions and conclusively may rely on, and shall be protected in relying on, such instructions. Upon issuance of definitive Bond certificates, the Representation Letter shall no longer be in force and effect, and the Trustee shall perform its obligations as required hereunder that were performed by DTC.

Whenever notice or other communication to the Bondholders is required by the Trustee under this Indenture, the Trustee shall give all such notices and communications specified herein or required by this Indenture to be given to Bondholders to DTC.

ARTICLE III

ISSUANCE OF THE BONDS

Section 3.1. Issuance of the Bonds. Upon the execution and delivery of this Indenture, the Board shall execute and deliver to the Trustee, and the Trustee shall authenticate, the Bonds, and the Trustee shall deliver the Bonds to the initial purchasers thereof as may be directed by the Board; *provided*, that, prior to such delivery, the Board shall cause to be delivered to the Trustee:

(a) a copy of the Authorizing Resolution, duly certified by the Executive Administrator of the Board;

(b) an original executed counterpart of this Indenture;

(c) a certified copy of the executed Master Trust Indenture;

(d) a written request and authorization to the Trustee on behalf of the Board, signed by a Board Representative, to authenticate and deliver the Bonds to the purchaser or purchasers therein identified upon payment to the Trustee of the sum therein specified including accrued interest on the Bonds to the Date of Delivery and setting forth instructions as to the delivery and application of the proceeds of the Bonds;

(e) a certificate of the Board as required by Section 202(b) of the Master Trust Indenture;

(f) an Officer's Certificate certifying that the Board has received all required disclosure filings under Section 2252.908, Texas Government Code, with respect to the Bonds and has notified or will notify the Texas Ethics Commission ("*TEC*") of its receipt of such filings by acknowledging such filings in accordance with TEC's rules;

(g) an opinion of Bond Counsel with respect to the authentication and delivery of the Bonds and to the effect that the Bonds have been duly authorized, executed and delivered by the Board and constitute valid, binding and enforceable obligations of the Board secured and payable from the sources pledged to secure their payment; and

(h) the Trustee shall have received the moneys specified in Section 4.2(b) hereof for deposit to the credit of the Assistance Account.

ARTICLE IV

FUNDS AND ACCOUNTS; FLOW OF FUNDS; INVESTMENTS

Section 4.1. Establishment of Funds and Accounts. SWIRFT is a special fund in the state treasury outside the general revenue fund of the State, and the Board has the authority under Section 15.473(c), Texas Water Code, to cause SWIRFT and any accounts established in SWIRFT to be managed by a corporate trustee. By executing this Indenture, the Board is exercising such authority granted to it by Section 15.473(c), Texas Water Code. The Board hereby creates and establishes the following special accounts within SWIRFT, each of which shall be held by the Trustee:

(a) State Water Implementation Revenue Fund for Texas 2019B Assistance Account (the *"Assistance Account"*);

(b) State Water Implementation Revenue Fund for Texas 2019B Project Financing Account (the *"Project Financing Account"*);

(c) State Water Implementation Revenue Fund for Texas 2019B Portfolio Account (the *"Portfolio Account"*), and within the Portfolio Account a Repayment Subaccount (the *"Repayment Subaccount"*) and a Prepayment Subaccount (the *"Prepayment Subaccount"*);

(d) State Water Implementation Revenue Fund for Texas 2019B Revenue Account (the *"Revenue Account"*), and within the Revenue Account a Repayment Subaccount (the "*Repayment Subaccount*") and an Administrative Expenses Subaccount (the *"Administrative Expenses Subaccount"*);

(e) State Water Implementation Revenue Fund for Texas 2019B Debt Service Account (the *"Debt Service Account"*), and within the Debt Service Account, a Principal and Interest Subaccount and a Redemption Subaccount (each a *"Debt Service Subaccount"*);

(f) State Water Implementation Revenue Fund for Texas 2019B Surplus Revenue Account (the *"Surplus Revenue Account"*); and

(g) State Water Implementation Revenue Fund for Texas 2019B Costs of Issuance Account (the *"Costs of Issuance Account"*).

The Trustee may create additional accounts and subaccounts in any of the funds created under this Indenture as the Trustee may deem appropriate for the purpose of fulfilling its obligations hereunder.

Section 4.2. Application of Moneys. (a) The proceeds from the sale of the Bonds shall be applied on the Date of Delivery, as follows:

(i) $_____ shall be deposited in the Costs of Issuance Account, and applied as provided in Section 4.10 hereof; and

(ii) $_____ shall be deposited in the Project Financing Account, for the purpose of making loans to Political Subdivisions through the acquisition of or interest contracted for by the Board in Political Subdivision Obligations as provided in Section 4.4 hereof.

(b) In addition, on the Date of Delivery, the Trustee shall receive from the Master Trustee moneys on deposit in the Transfer Account in the amount of $_____, which shall be deposited in the Assistance Account and applied as provided in Section 4.3 hereof.

Section 4.3. Assistance Account. There shall be deposited in the Assistance Account moneys as directed in Section 4.2(b) hereof. On or before each Interest Payment Date and Principal Payment Date designated in Exhibit C, the Trustee shall transfer from the Assistance Account the amounts shown on Exhibit C to the Principal and Interest Subaccount in the Debt Service Account to pay the principal of and interest on the Bonds. Moneys in the Assistance Account shall be invested only in Investment Securities pursuant to Section 4.18 of this Indenture. A Board Representative shall execute an Officer's Certificate to modify or amend Exhibit C, including to reflect the deposit of funds available to the Board from any lawfully available source, or to liquidate and direct the transfer and deposit, and reinvestment of proceeds of Investment Securities, to the extent the Board Representative certifies in the Officer's Certificate that such actions are necessary or desirable to pay debt service on the Bonds.

Section 4.4 Project Financing Account. There shall be deposited in the Project Financing Account moneys as directed by clause (iii) of Section 4.2(a) hereof. At the direction of the Board through the delivery of an Officer's Certificate, the Trustee shall (i) disburse moneys in the Project Financing Account for the acquisition of Political Subdivision Obligations or interests therein or (ii) transfer moneys to the Principal and Interest Subaccount within the Debt Service Account. Political Subdivision Obligations so purchased shall be held in the Portfolio Account. Moneys in the Project Financing Account shall be invested pursuant to Section 4.18 of this Indenture.

Section 4.5 Portfolio Account. (a) All Political Subdivision Obligations acquired for SWIRFT, upon their acquisition by the Trustee at the direction of the Board, will be promptly transferred to the Trustee and deposited into the Portfolio Account as directed by a Board Representative through the execution and delivery to the Trustee of an Officer's Certificate (including specifically an Officer's Certificate delivered in accordance with Section 4.4 of this Indenture) and held therein until paid in full. Promptly upon their receipt, Repayments of principal and premium, if any, of and interest on Political Subdivision Obligations shall be deposited by the Trustee in the Repayment Subaccount and thereafter shall be transferred promptly to the Revenue Account as described in Section 4.6 hereof.

(b) Moneys received as Prepayments of Political Subdivision Obligations which were funded in whole or in part with proceeds of the Bonds shall be retained in the Prepayment Subaccount of the Portfolio Account and used by the Trustee to acquire either Political Subdivision Obligations or Investment Securities, as directed by the Board in an Officer's Certificate. If the Board does not reasonably expect Prepayments to be applied to acquire Political Subdivision Obligations or Investment Securities, such moneys must be applied as provided in subsection (c) of this Section.

(c) Moneys on deposit in the Prepayment Subaccount of the Portfolio Account shall be transferred to the Redemption Subaccount in the Debt Service Account as directed by the Board in an Officer's Certificate and shall be used within ninety (90) days of their deposit to the Redemption Subaccount in the Debt Service Account to redeem Bonds. Prepayments which have not been applied in the manner described above in this subsection (c) may be held by the Board for a period in excess of ninety (90) days following their receipt if there has been delivered to the Board a written opinion of nationally-recognized bond counsel to the effect that such action will not be inconsistent with the terms of this Indenture.

Section 4.6. Revenue Account. (a) There shall be deposited in the Revenue Account: (i) to the credit of the Repayment Subaccount, all Repayments representing principal of and interest on Political Subdivision Obligations transferred from the Portfolio Account; (ii) all net investment earnings on the funds and accounts (other than the Assistance Account and the Cost of Issuance Account) as set forth in Section 4.18 hereof and (iii), Repayments representing amounts to be deposited to the credit of the Administrative Expenses Subaccount, and all other moneys directed to be deposited in the Revenue Account by the Board.

(b) Moneys in the Repayment Subaccount of the Revenue Account shall be transferred to the Debt Service Account to pay the principal of and interest due on the Bonds as

provided in Section 4.11(b) hereof. Moneys in the Revenue Account which are needed to pay the fees and expenses described in Section 7.2 hereof shall be deposited to the credit of the Administrative Expenses Subaccount and used in the manner described in Section 4.11(b) hereof.

Section 4.7. Debt Service Account. (a) There shall be deposited in the Principal and Interest Subaccount of the Debt Service Account (i) the moneys received pursuant to Section 4.3 hereof, (ii) the moneys received pursuant to Section 4.4 hereof, and (iii) the amounts received pursuant to Section 4.6 hereof. There shall be deposited in the Redemption Subaccount of the Debt Service Account all moneys received pursuant to Section 4.5(b) hereof.

(b) Moneys on deposit in the respective Debt Service Subaccounts of the Debt Service Account shall be applied solely to pay the interest on the Bonds as the same becomes due and payable and to pay the principal of and interest on the Bonds as the same becomes due and payable at maturity or upon the scheduled mandatory sinking fund redemption of Bonds, if any, prior to maturity. On each scheduled Interest Payment Date on the Bonds, the Trustee shall remit to the respective owners of such Bonds an amount from the Principal and Interest Subaccount of the Debt Service Account sufficient to pay the interest on the Bonds becoming due and payable on such Interest Payment Date. On each Principal Payment Date of the Bonds, the Trustee shall set aside and hold in trust an amount from the Principal and Interest Subaccount of the Debt Service Account, sufficient to pay the principal of the Bonds becoming due and payable on such Principal Payment Date. On each Redemption Date of the Bonds, the Trustee shall set aside and hold in trust an amount from the Redemption Subaccount of the Debt Service Account sufficient to pay the principal of and interest on the Bonds becoming due and payable on such Redemption Date as a result of the optional redemption of the Bonds. Pending such application, moneys in the Debt Service Account shall be invested pursuant to Section 4.18 of this Indenture.

Section 4.8. Intentionally Omitted.

Section 4.9. Surplus Revenue Account. Moneys in the Surplus Revenue Account shall be (i) transferred to the respective Debt Service Subaccounts within the Debt Service Account and used as a source of revenue for the payment or redemption of Bonds as directed in an Officer's Certificate, (ii) transferred to the Master Trustee as directed in an Officer's Certificate with instructions to deposit such moneys to the credit of the Program Account held by the Master Trustee, for use as described in the Officer's Certificate, including, without limitation, for the purposes described in Sections 305 and 306 of the Master Indenture, Section 15.435(i), Texas Water Code, and Section 15.474(c), Texas Water Code, or (iii) subject to the provisions of Section 305(c) of the Master Indenture, used for such other authorized purposes as the Board shall determine from time to time, but solely to the extent that such purposes are in accordance with the Act, and other applicable law related to the State Water Plan and the issuance of State Water Plan Bonds. Pending such application, moneys in the Surplus Revenue Account shall be invested pursuant to Section 4.18 of this Indenture.

Section 4.10. Costs of Issuance Account. The Trustee shall deposit in the Costs of Issuance Account from the proceeds of the Bonds the amount set forth in Section 4.2(i) of this

Indenture. Moneys in the Costs of Issuance Account shall be applied by the Trustee to the payment of costs of issuance of the Bonds, including payment of all necessary fees, costs and expenses of the Trustee and the Board relating to the Bonds, as limited, in respect to the Trustee, by Section 7.2 of this Indenture. At the direction of the Board through the delivery of an Officer's Certificate, the Trustee will transfer any balance remaining in the Costs of Issuance Account on the one hundred eightieth (180th) day following the issuance of the Bonds to the Project Financing Account, the Principal and Interest Subaccount within the Debt Service Account, or both the Project Financing Account and the Principal and Interest Subaccount within the Debt Service Account. Moneys in the Costs of Issuance Account shall be invested pursuant to Section 4.18 of this Indenture.

Section 4.11. Flow of Funds. (a) On each Payment Date, the Trustee shall transfer from the Assistance Account the amount shown on Exhibit C to be transferred on such Payment Date to pay principal and interest due on the Bonds and deposit the same to the Principal and Interest Subaccount of the Debt Service Account.

(b) On each Payment Date, the Trustee shall transfer Revenues in the order of priority as follows:

FIRST, from the Repayment Subaccount of the Revenue Account, amounts sufficient, together with other amounts on deposit in the Principal and Interest Subaccount of the Debt Service Account, to pay principal and interest due on the Bonds and deposit the same to the Principal and Interest Subaccount of the Debt Service Account.

SECOND, from the Administrative Expenses Subaccount of the Revenue Account, amounts sufficient to pay the fees and expenses described in Section 7.2 of this Indenture.

The Trustee is directed by the Board to pay principal and interest due on the Bonds from the Principal and Interest Subaccount of the Debt Service Account. Any moneys remaining in the Revenue Account and the subaccounts therein, after making the transfers described above, may be transferred to the Surplus Revenue Account upon the Board delivering an Officer's Certificate directing the transfer of funds from the Revenue Account to the Surplus Revenue Account. Transfers to the Surplus Revenue Account may be made on a Payment Date, after the transfers described in FIRST and SECOND above have been made.

(c) If no later than forty (40) days prior to any Payment Date, it is determined there will not be available moneys sufficient to pay the principal of and interest on the Bonds then due, the Trustee shall immediately give notice to the Board and the Master Trustee of such projected deficiency. The notice shall indicate the amounts required to make up for such projected deficiency and request (i) that the Board take such measures as permitted by Section 4.3 of this Indenture to cure the deficiency and (ii) if the Board is unable to take such measures as permitted by Section 4.3 of this Indenture, that a transfer of moneys from the Program Account be effected. The Trustee shall deposit moneys made available by the Board, or transferred by the Master Trustee from the Program Account, and designated for deposit in the Debt Service Account in accordance with such designation.

Section 4.12. Reports to Board. The Trustee agrees to notify the Board in writing, within five (5) Business Days after each date on which principal of or interest on the Bonds is payable, of the following: (i) the name and the dated date of such Bonds; (ii) the name of the Trustee; (iii) the date on which such interest on the Bonds was payable, the rate or rates of interest borne by the Bonds and the aggregate amount of such interest payable; (iv) the date on which such interest on the Bonds was paid and the amount of such interest paid; (v) the date on which the principal of the Bonds was payable (whether at maturity, upon call for prior redemption or acceleration) and the amount of principal due on such date; and (vi) the date on which the principal of the Bonds was paid and the amount of such principal paid.

The Trustee shall, beginning within sixty (60) days after delivery of the Bonds, provide a monthly report to the Board setting forth (i) amounts withdrawn from and deposited in each fund and account relating to the Bonds hereunder, (ii) the balance on deposit in each such fund relating to the Bonds at the end of each period for which such report is prepared, (iii) a brief description of all obligations held as investments in each such fund relating to the Bonds, (iv) the amount applied to the redemption of the Bonds, a description of the Bonds or portions of Bonds so redeemed, and an accounting of the Bonds of each maturity outstanding, and (v) any other information that the Board may reasonably request or that the Trustee may from time to time deem appropriate.

The Trustee shall also provide to the Board any other reports required by the agreement between the Board and the Trustee or as may be reasonably requested by the Board. The Trustee acknowledges that the Board may provide copies of such monthly reports from time to time to the Advisory Committee.

Section 4.13. Tax Exemption. The Board does not intend to issue the Bonds in a manner such that the Bonds would constitute obligations described in section 103(a) of the Code, and all applicable Treasury Regulations. Accordingly, the Board covenants not to file any information return that would result in the interest on the Bonds being excludable from gross income under section 103 of the Code.

The Board and the Trustee covenant and agree that the Trustee will undertake to report, to the extent required by the Code, interest payments on the Bonds to the Internal Revenue Service. Such information will be filed by the Trustee on the form published by the Internal Revenue Service for this purpose and contain the information required by the Code. The Board and the Trustee covenant and agree that the Trustee will obtain or cause to be obtained from the holder of each Bond the information required by the Code relating to the correct social security number or other taxpayer identification number for the holder of each of the Bonds or to withhold the portion of the payment required to be withheld under the Code.

Section 4.14. Intentionally Omitted.

Section 4.15. Intentionally Omitted.

Section 4.16. Non-Presentment of Bonds. Except as otherwise provided in Section 4.17 hereof, in the event any Bonds shall not be presented for payment when the principal thereof

becomes due, if funds sufficient to pay such Bonds shall be held by the Trustee for the benefit of the owner or owners thereof, all liability of the Board to the owner or owners thereof for the payment of such Bonds shall forthwith cease, determine and be completely discharged and thereupon it shall be the duty of the Trustee to hold such funds without liability for interest thereon, for the benefit of the owner or owners of such Bonds, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Indenture or on, or with respect to, such Bonds.

Section 4.17. Unclaimed Moneys. All moneys which the Trustee shall have withdrawn from the Debt Service Account or shall have received from any other source and set aside for the purpose of paying any of the Bonds hereby secured shall be held in trust for the respective owners of such Bonds, but any moneys which shall be so set aside or deposited by the Trustee and which shall remain unclaimed by the owners of such Bonds for a period of three (3) years after the date on which such Bonds shall have become due and payable shall be paid to the Board; *provided, however,* that the Trustee, before making any such payment shall send a letter to the last known address for such Bondholders that said moneys have not been claimed and that after a date named therein any unclaimed balance of said moneys then remaining will be returned to the Board and thereafter the owners of such Bonds shall look only to the Board for payment and then only to the extent of the amount so received without any interest thereon, and the Trustee shall have no responsibility with respect to such moneys.

Section 4.18. Investments. Moneys in the Assistance Account, the Project Financing Account, the Costs of Issuance Account, the Revenue Account, the Debt Service Account and the Surplus Revenue Account shall at all times be invested by the Trustee in Investment Securities, as directed in writing by a Board Representative, maturing at such times and in such amounts as will make cash available for the purposes of such funds and accounts as needed. Net investment earnings on the funds and accounts (other than the Assistance Account and the Costs of Issuance Account) shall be transferred to the Revenue Account, by no later than the last Business Day of the month received. Should any Investment Security which has a minimum rating requirement have its rating withdrawn or reduced below the minimum rating requirement, the Board shall not be required to cause the Investment Security to be sold. Upon receiving a written direction by a Board Representative, the Trustee may proceed to sell the Investment Security and purchase other Investment Securities with the proceeds of the sale of such Investment Security in accordance with written instructions from the Board Representative. Unless otherwise prohibited by this Section, the Trustee may invest money held hereunder in an Investment Security acquired in a transaction for which the Trustee or any Affiliate thereof receives compensation.

The Trustee shall sell in accordance with its written trade execution policy or present for redemption any Investment Securities so purchased, consistent with written direction of the Board, whenever it shall be necessary so to do in order to provide money to make any payment or transfer of money from any such fund or account. Neither the Trustee nor the Paying Agent shall be liable for any loss resulting from any investment made in accordance with any written direction by the Board. In the event of a conflict between written directions received from the Board, the written directions most recently received by the Trustee shall be controlling.

Although the Board recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Board hereby agrees that confirmations of Investment Securities are not required to be issued by the Trustee for each month in which a monthly statement is rendered. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month.

Section 4.19. Disposition of Funds and Accounts. After the payment in full of the principal of, premium, if any, and interest on the Bonds (including any obligations issued or incurred to refinance the Bonds), or provision therefor has been made, pursuant to Article IX hereof, all moneys in all funds and accounts, other than moneys so held pursuant to Article IX hereof, and moneys referred to in Section 4.17 hereof, shall be paid by the Trustee to the Master Trustee; *provided*, that if the Master Trust Indenture shall no longer be in effect, the Trustee shall transfer all such moneys to the Comptroller for deposit to the credit of SWIFT, consistent with the provisions of Section 15.435(i), Texas Water Code, for the purposes as designated in writing by a Board Representative.

ARTICLE V

GENERAL COVENANTS AND PROVISIONS

Section 5.1. Payment of Principal and Interest. The Board covenants that it will promptly pay, solely out of the Security, the principal of, premium, if any, and interest on every Bond issued under this Indenture at the place, on the date, and in the manner provided herein and in the Bonds according to the true intent and meaning thereof, subject only to the provisions of Section 1.2 of this Indenture.

Section 5.2. Performance of Covenants. The Board represents that it is duly authorized under the Constitution and the laws of the State, including particularly and without limitation the Act, to issue the Bonds authorized hereby and to execute this Indenture, to pledge the Revenues and other funds described herein and assigned and pledged hereby in the manner and to the extent herein set forth; that all action on its part for the issuance of the Bonds and the execution and delivery of this Indenture has been duly and effectively taken as provided herein; and that the Bonds, assuming the due authentication thereof by the Trustee, in the hands of the owners thereof are and will be valid and enforceable special, limited obligations of the Board according to the import thereof, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and to the exercise of judicial discretion in accordance with general principles of equity. The Board covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all of its proceedings pertaining to the Bonds and this Indenture.

Section 5.3. Instruments of Further Assurance. The Board covenants, whenever and so often as reasonably required to do so by the Trustee, promptly to execute and deliver or cause to be delivered Supplemental Indentures and all such other and further instruments, documents or assurances, and to promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the

owners of the Bonds all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by this Indenture, including, without limitation, the Revenues and other funds pledged hereby to the payment of the principal of, premium, if any, and interest on the Bonds.

Section 5.4. No Extension of Time of Payment of Interest. In order to prevent any claims for interest after maturity, the Board will not directly or indirectly extend or assent to the extension of time of payment of any claims for interest on any of the Bonds, and will not directly or indirectly be a party to or approve any such arrangement by purchasing or funding such claims for interest or in any other manner. In case any such claims for interest shall be extended or funded in violation of this Section, such claims for interest shall not be entitled, in case of any default under this Indenture, to the benefit or security of this Indenture, except subject to the prior payment in full of the principal of all Bonds issued and Outstanding under this Indenture, and of all claims for interest which shall not have been so extended or funded.

Section 5.5. Inspection of Project Records. The Board covenants and agrees that all books, records and documents in its possession relating to the Political Subdivision Obligations and the Revenues shall at all reasonable times be open to inspection by such accountants, attorneys or other agents as the Trustee or the Master Trustee may from time to time designate in writing.

Section 5.6. Bond Register. The Board shall have no responsibility with regard to the accuracy of the Bond Register, the accuracy of which is the sole responsibility of the Trustee. At reasonable times and under reasonable regulations established by the Trustee, the Bond Register may be inspected and copied by the Board or by the owners (or a designated representative thereof) of at least a majority in aggregate principal amount of the Bonds then Outstanding hereunder, such ownership and the authority of any such designated representative to be evidenced to the satisfaction of the Trustee.

Section 5.7. Assignment of Political Subdivision Obligations and Revenues. The Board has assigned and pledged to the Trustee its right, title and interest in the Political Subdivision Obligations (except as otherwise specifically provided in this Indenture and the Political Subdivision Obligations) and the Revenues for the benefit and security of the owners of the Bonds to secure the payment of the principal of, premium, if any, and interest on the Bonds when due and for payment of all sums due under this Indenture in the manner herein and therein described and the punctual performance by the Board of all of its obligations under the terms and provisions of this Indenture.

Section 5.8. Rights under Political Subdivision Obligations. The Political Subdivision Obligations set forth the payment obligations of the Political Subdivision to repay and prepay its Political Subdivision Obligation received from the Board. The Board agrees that the Trustee, in its name or in the name of the Board, may enforce all rights of the Board and all obligations of each Political Subdivision under and pursuant to each Political Subdivision Obligation for and on behalf of the owners of the Bonds, whether the Board is in default hereunder or thereunder; *provided, however*, that the Trustee shall not be deemed to assume the Political Subdivision Obligations, and shall have no obligations under the Political Subdivision Obligations, except as

expressly provided therein. The Board hereby agrees to cooperate fully with the Trustee in any proceedings, or to join in or commence in its own name any proceedings, for the enforcement of the obligations of a Political Subdivision under and pursuant to the related Political Subdivision Obligation, if the Trustee shall so reasonably request, provided any costs of the Board (including without limitation the reasonable fees and expenses of attorneys) in connection therewith shall be paid out of the Trust Estate. Notwithstanding anything in this Indenture to the contrary, the Board has retained its rights to enforce the covenants of a Political Subdivision agreed to under the related Political Subdivision Obligation, and in that connection the Trustee will cooperate with the Board in the exercise of such remedies. If an event of default shall occur and be continuing under any Political Subdivision Obligation, the Trustee may direct the Board to exercise its rights and remedies under such Political Subdivision Obligation. The Trustee acknowledges that the Board will be represented by the State Attorney General in any legal action taken by the Board to enforce its rights under a Political Subdivision Obligation.

Section 5.9. Board's Obligation Limited. Nothing in this Indenture is intended to require or obligate, nor shall anything herein or therein be interpreted to require or obligate, the Board for any purpose or at any time whatsoever, to provide, apply, or expend any funds coming into the hands of the Board other than (a) the funds derived from the issuance of the Bonds under this Indenture, (b) all Revenues and other moneys received pursuant to this Indenture or the Political Subdivision Obligations, and (c) moneys held in the funds and accounts under this Indenture.

Section 5.10. Release of Pledged Political Subdivision Obligations; Substitution of Pledged Political Subdivision Obligations; Prepayment of Pledged Political Subdivision Obligations.

(a) Release of Political Subdivision Obligations. The Trustee, upon the written direction of the Board, may release Political Subdivision Obligations from the lien of this Indenture, upon the satisfaction of the following:

(i) the delivery to the Trustee of an Officer's Certificate (A) to the effect that cash flow reports evidence the sufficiency of (1) available Revenues from the remaining Political Subdivision Obligations and interest earnings on investments for each Payment Date to pay not less than 1.0 times principal and interest coming due on the Bonds on each such Payment Date until maturity, and (2) any and all available revenues for each Payment Date securing all outstanding Master Trust Bonds to pay not less than 1.0 times principal and interest coming due on all Master Trust Bonds on each such Payment Date (clauses (1) and (2) being herein referred to as the "*Coverage Requirement*") and (B) specifying the Political Subdivision Obligations to be released; and

(ii) the delivery to the Trustee of an amendment to the schedule of Political Subdivision Obligations attached hereto as Exhibit B (which amendment does not require the consent of the owners of the Bonds).

(b) Substitution of Political Subdivision Obligations. The Trustee, upon the written direction of the Board, may release Political Subdivision Obligations and substitute one or more

Political Subdivision Obligations for such Political Subdivision Obligation upon the delivery to the Trustee of (i) the instruments described above in Section 5.10(a) under "Release of Political Subdivision Obligations," *provided*, that the substituted Political Subdivision Obligation or Political Subdivision Obligations shall be included in the calculation of the Coverage Requirement and (ii) an Officer's Certificate stating that as a result of such substitution, the Coverage Requirement shall be not less than 1.0 times principal and interest coming due on the Bonds on each such Payment Date until maturity.

(c) Prepayment of Political Subdivision Obligations. Upon receipt of any Prepayment, if the Board cannot deliver to the Trustee an Officer's Certificate to the effect that the Coverage Requirement will be satisfied after taking into account such Prepayment, then the Board may exercise its rights described above in Section 5.10(b) under "Substitution of Political Subdivision Obligations".

(d) Amendment of Terms of Political Subdivision Obligations. The Board shall not consent to the amendment of the terms of a Political Subdivision Obligation unless the Board first delivers to the Trustee an Officer's Certificate to the effect that (i) the amendment will not cause the Coverage Requirement not to be satisfied and (ii) the amendment will not cause any representation, warranty or covenant of the Board in this Indenture to be inaccurate or breached in any material respect.

Section 5.11. No Parity or Superior Obligations. The Board shall not issue or incur any bonds, notes, or other obligations payable from or secured by, in whole or in part, any or all of the Security prior to or on a parity with the pledge of the Security securing payment of the Bonds.

ARTICLE VI

DEFAULTS AND REMEDIES

Section 6.1. Defaults; Events of Default. If any of the following events occurs, it is hereby defined as and declared to be and to constitute an "Event of Default":

(a) if default shall occur in the due and punctual payment of the principal of, premium, if any, or interest on any Bond; or

(b) if default shall be made by the Board in the observance of any of the covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, except for such a default described in Section 6.1(a) hereof, and such default shall have continued for a period of ninety (90) days after the Board shall have been given written notice of such default by the Trustee or by the owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, subject to the provisions of Section 6.9 hereof.

Section 6.2. Remedies; Rights of Bondholders. (a) Upon the occurrence and continuance of an Event of Default, the Trustee may pursue any available remedy by action at law or suit in

equity to enforce the payment of the principal of and interest on the Bonds then Outstanding, including any and all such actions arising under or by reason of the Political Subdivision Obligations either by itself or by causing the Board to exercise such rights and remedies under the Political Subdivision Obligations as the Trustee shall direct, pursuant to Section 5.8 of this Indenture.

(b) If an Event of Default shall have occurred and be continuing the Trustee may, in its discretion, and if requested so to do by the owners of at least a majority in aggregate principal amount of the Bonds then Outstanding and indemnified as provided in Section 7.1(l) hereof, the Trustee shall, exercise such one or more of the rights and powers conferred by this Section 6.2 as the Trustee shall deem most expedient in the interest of the owners of the Bonds.

(c) No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the owners of the Bonds) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given to the Trustee or to the owners of the Bonds hereunder or now or hereafter existing at law or in equity.

(d) No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein; and every such right and power may be exercised from time to time as often as may be deemed expedient.

(e) Notwithstanding anything in this Indenture to the contrary, acceleration is not a remedy should a default or Event of Default occur.

Section 6.3. Waivers of Events of Default. The Trustee shall waive any Event of Default and its consequences upon the written request of the owners of a majority in aggregate principal amount of the Bonds then Outstanding; *provided*, that there shall not be waived without the consent of the owners of all the Bonds then Outstanding (a) any Event of Default in the payment of the principal of any Outstanding Bonds at their maturity or upon the redemption thereof, or (b) any Event of Default in the payment when due of the interest on any such Bonds unless, prior to such waiver or rescission, all arrears of interest, and all expenses of the Trustee in connection with such Event of Default shall have been paid or deposited with the Trustee. In case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Board, the Political Subdivision, the Trustee, and the owners of the Bonds shall be restored to their former positions, rights and obligations hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Section 6.4. Right of Bondholders to Direct Proceedings. Anything in this Indenture to the contrary notwithstanding, but subject to the provisions of Sections 5.8 and 7.1 hereof, the owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, at any time, by written instrument or instruments executed and delivered to the Trustee, to direct the time, method, and place of conducting all proceedings to be taken in connection with

the enforcement of the terms and conditions of this Indenture or for the appointment of a receiver or any other proceedings hereunder; *provided*, that such direction shall not be otherwise than in accordance with applicable provisions of law and of this Indenture.

Section 6.5. Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any owner of the Bonds, and any recovery of judgment shall be for the equal benefit of the owners of all of the Outstanding Bonds.

Section 6.6. Rights and Remedies of Bondholders. No owner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust thereof or for any other remedy hereunder unless a default has occurred of which the Trustee has been notified as provided in Section 7.1(h) hereof, or of which by said subsection it is deemed to have notice, and unless also such default shall have become an Event of Default and the owners of at least a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request to the Trustee, and shall have provided it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name and unless also they have provided to the Trustee indemnity as provided in Section 7.1(l) hereof, and unless the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its, his, her or their own name or names; and such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to any action or cause of action for the enforcement of this Indenture, or for any other remedy hereunder; it being understood and intended that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the owners of all of the Bonds then Outstanding. Nothing in this Indenture contained shall, however, affect or impair the right of any owner of any Bond to enforce the payment of the principal of, premium, if any, and interest on such Bond at the time, place, from the source and in the manner herein and in such Bond expressed.

Section 6.7. Application of Moneys in Event of Default. (a) Upon an Event of Default all moneys held or received by the Trustee pursuant to this Indenture (other than moneys in the Costs of Issuance Account), or the Political Subdivision Obligation with respect to the defaulting Political Subdivision or pursuant to any right given or action taken under this Article shall, after payment of the reasonable costs and expenses, including those of the Trustee, in connection with the proceedings resulting in the collection of such moneys, shall be applied in the following order of priority, as follows:

> First – To the Debt Service Account, payment to the persons entitled thereto of all installments of principal and interest then due and payable on the Bonds, in the order in which such installments of principal and interest became due and payable, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts

due on such installment, to the persons entitled thereto, without any discrimination or privilege;

Second – To the payment of the reasonable expenses, liabilities and advances incurred or made by the Trustee, other than those incurred in connection with the proceedings resulting in the collection of such moneys; and

Third – The balance to the Master Trustee for deposit to the Program Account.

(b) Whenever moneys are to be applied pursuant to this Section, such moneys shall be applied at such times and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available and which may become available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be a Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue.

(c) Whenever all of the Bonds have been paid under this Section, and all expenses and charges of the Trustee and the Board have been paid, any balance shall be paid to the Master Trustee for deposit in the Program Account or to the TTSTC as provided in Section 4.19 of this Indenture.

Section 6.8. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then and in every such case the Board and the Trustee shall be restored to their former positions and rights hereunder and all rights, remedies and powers of the Trustee shall continue as if no such proceeding had been taken.

Section 6.9. Notice of Defaults. Anything herein or to the contrary notwithstanding, no default specified in Section 6.1(b) hereof shall constitute an Event of Default until actual notice of such default by registered or certified mail shall be given to the Board by the Trustee or by the owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, and the Board shall have had ninety (90) days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within such period; *provided, however,* if any default specified in Section 6.1(b) shall be such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Board within the applicable period and diligently pursued until the default is corrected.

ARTICLE VII

THE TRUSTEE

Section 7.1. Acceptance of the Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into this Indenture against the Trustee:

(a) The Trustee, prior to the occurrence of any Event of Default and after the curing or waiving of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person under reasonably similar circumstances would exercise or use under the circumstances.

(b) The Trustee may execute any of the trusts or powers of this Indenture and perform any of its duties by or through attorneys, agents, receivers, employees or such other professionals as may be reasonably necessary but shall be answerable for the conduct of the same in accordance with the standard specified above, and shall be entitled to consult with counsel and to act upon the opinion or advice of its counsel concerning all matters of trust of this Indenture and the duties under this Indenture, and, subject to the restrictions of Section 7.2 hereof, may in all cases pay such reasonable compensation to all such attorneys, agents, receivers, employees and such other professionals as may reasonably be employed in connection with the trusts of this Indenture. The Trustee may act upon an opinion of counsel, who may be an employee of the Trustee, and shall not be responsible for any loss or damage resulting from any action or non-action by it taken or omitted to be taken in good faith in reasonable reliance upon any such opinion of counsel.

(c) The Trustee shall not be responsible for any recital herein or in the Bonds (except in respect of its own recitals and the certificate of authentication of the Trustee endorsed on the Bonds), or for the validity of the execution by the Board of this Indenture or for any supplements hereto or instruments of further assurance, or for the sufficiency of the Security for the Bonds issued hereunder or intended to be secured thereby, and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Board or on the part of a Political Subdivision in connection with the matters referred to in this Indenture, except as herein set forth, and the Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Article IV of this Indenture.

(d) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered under this Indenture. The Trustee may also engage in or be interested in any financial or other transaction with the Board or any Political Subdivision.

(e) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, opinion of counsel, letter, or other paper or document reasonably believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the owner of any Bond, shall be conclusive and binding upon all future owners of the same Bond and Bonds issued in exchange therefor or in place thereof.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed on behalf of the Board by a Board Representative as sufficient evidence of the facts therein contained, and prior to the occurrence of a default of which the Trustee has been notified as provided in subsection (h) of this Section 7.1, or of which by said subsection it is deemed to have notice, the Trustee shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of a Board Representative under the seal of the Board to the effect that a resolution in the form therein set forth has been adopted by the Board as conclusive evidence that such resolution has been duly adopted and is in full force and effect.

(g) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not, except as provided in subsection (a) of this Section 7.1, be answerable for other than its negligence or willful misconduct.

(h) The Trustee shall not be required to take notice of or be deemed to have notice of any default hereunder, except the failure by the Board to cause to be made any of the payments to the Trustee required to be made by Article IV hereof, unless the Trustee shall be specifically notified in writing of such default by the Board or by the owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding; and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the designated corporate trust office of the Trustee and in the absence of such notice so delivered the Trustee may conclusively assume there is no default except as aforesaid; *provided*, that the Trustee will be required to take notice of the failure by any Political Subdivision to make a Repayment under the related Political Subdivision Obligation.

(i) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, accountants and representatives shall have the right, but shall not be required, to inspect all books, papers and records of the Board pertaining to the Political Subdivision Obligations and the Bonds, and to make copies thereof (at the Trustee's expense) and take such memoranda therefrom and in regard thereto as may be desired.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the trusts and powers under this Indenture.

(k) Notwithstanding anything elsewhere in this Indenture contained, the Trustee shall have the right, but shall not be required, to demand, in respect to the authentication of any Bonds, the withdrawal of any cash or any action whatsoever within the scope of this Indenture, any showings, certificates, opinions, appraisals or other information, or action or evidence thereof, in addition to that required by the terms of this Indenture, as a condition of such action, deemed by the Trustee desirable for the purpose of establishing the right of the Board to the authentication of any Bonds, the withdrawal of any cash or the taking of any other action by the Trustee.

(l) Before taking any action under this Indenture, other than any action under Article II hereof (excepting Section 2.5), the payment of principal of, premium, if any, and interest on the Bonds and the declaration of default, the Trustee may, in its discretion, require that satisfactory indemnity be furnished to it by the owners of the Bonds or other parties for the reimbursement of all expenses which it may incur or advance and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct, by reason of any action so taken.

(m) All moneys received by the Trustee or any Paying Agent shall, until used or applied or invested as herein provided, be held in trust in the manner and for the purposes for which they were received, but need not be segregated from other funds, except to the extent required by this Indenture or law. Neither the Trustee nor any Paying Agent shall be under any liability for interest on any moneys received hereunder, except such as may be agreed upon.

(n) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("*Instructions*") given pursuant to this Indenture and delivered using Electronic Means; provided, however, that the Board shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("*Authorized Officers*") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Board whenever a person is to be added or deleted from the listing. If the Board elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The Board understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Board shall be responsible for ensuring that only Authorized Officers transmit such instructions to the Trustee and that the Board and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Board. The Trustee, as a condition to acting upon the Instructions, shall confirm by Electronic Means to the Board the receipt of the Instructions if the

Instructions direct the external movement of at least $250,000 in funds. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction, absent negligence or willful misconduct on the part of the Trustee, and the Trustee shall endeavor to comply with such subsequent written instruction, once received. To the extent permitted by law, the Board agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Board; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

(o) The Trustee shall have no responsibility for the content of any offering memorandum or other offering document prepared in connection with the issuance of the Bonds or for the use of proceeds paid out in accordance with the terms hereof.

(p) No provisions of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it believes the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(q) If the Trustee is made a party to or intervenes in any litigation pertaining to this Indenture, the Trustee shall be compensated reasonably by the Board, to the extent permitted by law, for such extraordinary services and reimbursed for any and all claims, liabilities, losses, damages, fines, penalties, and expenses, including out-of-pocket and incidental expenses and legal fees occasioned thereby, unless such claim, liability, loss, damages, fine, penalty, and expense shall have been finally adjudicated to have resulted from the willful misconduct or negligence of the Trustee.

Section 7.2. Fees, Charges and Expenses of the Trustee. The Board shall pay, but solely from amounts on deposit in the Administrative Expenses Subaccount, to the Trustee, any Bond Registrar and any Paying Agent reasonable compensation as agreed upon by the Board and the Trustee, any Bond Registrar and any Paying Agent, for all services performed by the Trustee, the Bond Registrar or the Paying Agent, respectively, hereunder, and also the reasonable expenses, charges and other disbursements of the Trustee or the Paying Agent, respectively, and those of their respective attorneys, agents, employees and other professionals as may be reasonably necessary incurred in and about the administration and execution of the trusts hereby created and performance of their powers and duties under this Indenture, all in accordance with this Indenture. The schedule of fees and expenses of the Trustee for providing the services in respect to the administration and execution of the trusts hereby created and performance of the powers

and duties as Trustee, Paying Agent and Bond Registrar under this Indenture are set forth in Exhibit D attached hereto.

Section 7.3. Notice to Bondholders if Default Occurs. If an Event of Default occurs and is continuing of which the Trustee is required by Section 7.1(h) hereof to take notice or if notice thereof be given as provided by Section 7.1(h) hereof, then the Trustee shall give written notice thereof within thirty (30) days by United States mail, first class, postage prepaid, to all owners of Bonds then Outstanding shown by the Bond Register.

Section 7.4. Intervention by Trustee. In any judicial proceeding to which the Board is a party or which in the opinion of the Trustee and its counsel has a substantial bearing on the interest of the owners of the Bonds, the Trustee may, in its discretion, intervene on behalf of the owners of the Bonds and shall do so if requested in writing by the owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, *provided*, that the Trustee shall first have been provided indemnity as provided in Section 7.1(l) hereof as it may require against the costs, expenses and liabilities which it may incur in or by reason of such proceeding. The rights and obligations of the Trustee under this Section 7.4 are subject to the approval of a court of competent jurisdiction. The foregoing notwithstanding, the Trustee shall have no duty or right to request from the TTSTC amounts in excess of those initially deposited to the Assistance Account.

Section 7.5. Successor Trustee. Any banking association or corporation into which the Trustee may be merged or with which it may be consolidated or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation resulting from any such merger, consolidation or transfer to which it is a party, *ipso facto*, shall be and become successor Trustee hereunder and vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding; *provided*, that the representation contained in Section 7.15(b) hereof is still true and correct after such merger, consolidation or sale.

Section 7.6. Resignation by the Trustee. The Trustee may at any time and for any reason resign and be discharged of the trusts created by this Indenture by executing an instrument in writing resigning such trusts, specifying the date when such resignation shall take effect, and mailing the same to those Political Subdivisions with outstanding Political Subdivision Obligations, the Board, and to each owner of the Bonds then Outstanding as shown by the Bond Register not less than ninety (90) days before the date specified in such instrument when such resignation shall take effect. Subject to Section 7.8 hereof, such resignation shall take effect on the day specified in such instrument and notice, unless previously a successor Trustee shall be appointed by the owners of the Bonds or the Board, in which event such resignation shall take effect immediately on the appointment of such successor Trustee.

Section 7.7. Removal of Trustee. Provided that no Event of Default has occurred and is continuing, the Trustee may be removed with no less than forty-five (45) days' prior written notice (i) at the option of the Board (provided no Event of Default has occurred and is

continuing), or (ii) by the owners of a majority in aggregate principal amount of the Bonds then Outstanding, in each case by written instrument or concurrent instruments delivered to the Trustee and, in the event of a removal by owners of the Bonds, to the Board.

Section 7.8. Effective Date for Resignation or Removal. No resignation or removal of the Trustee and no appointment of a successor Trustee shall become effective until the successor Trustee has accepted its appointment under Section 7.9 of this Indenture.

Section 7.9. Appointment of Successor Trustee by the Board or the Bondholders; Temporary Trustee. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor Trustee may be appointed by the Board (in the case of removal by the Board pursuant to clause (i) of Section 7.7 hereof), or by the owners of a majority in aggregate principal amount of the Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such owners, or by their legal representatives duly authorized; *provided*, nevertheless, that in case of such vacancy the Board by an instrument executed and signed by its Chairman and attested by its Executive Administrator under its seal, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by the owners of the Bonds in the manner above provided; and any such temporary Trustee so appointed by the Board shall immediately and without further act be superseded by the Trustee so appointed by such owners of the Bonds. Every such Trustee appointed pursuant to the provisions of this Section 7.9 shall be a trust company or bank organized and doing business under the laws of the United States of America or any state thereof, subject to supervision or examination by federal or state regulatory board, having, or be wholly owned by an entity having, a reported capital and surplus of not less than $100,000,000, having an operations group of experienced trust officers with primary responsibility for municipal bond issues, if there be such an institution willing, qualified and able to accept the trusts under this Indenture upon reasonable and customary terms. In the event that a successor Trustee has not been appointed within sixty (60) days of such resignation, removal, dissolution or notice of dissolution or liquidation, the resigning Trustee may petition a court of competent jurisdiction for the appointment of a successor Trustee.

Section 7.10. Concerning Any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge, and deliver to its predecessor and also to the Board and the Political Subdivisions an instrument in writing accepting such appointment hereunder and the obligations of the Trustee under this Indenture, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all of the estates, properties, rights, powers, and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities, records and moneys held by it as Trustee hereunder to its successor, and shall provide the Board with a final accounting of all of the funds, accounts and subaccounts held by such predecessor Trustee under this Indenture. Should any instrument in writing from the Board be required by any successor Trustee for more fully and certainly vesting in such successor the estates, properties, rights, powers and trusts hereby vested or intended to be vested in the predecessor, any and all of such instruments in writing shall, on request, be executed, acknowledged and delivered by the Board. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other

instruments provided for in this Article, shall be filed or recorded by the successor Trustee in each recording office where this Indenture shall have been filed or recorded.

Section 7.11. Trustee Protected in Relying Upon Resolutions, Etc. The resolutions, opinions, certificates and other instruments provided for in this Indenture may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein, and shall be full warrant, protection, and authority to the Trustee for the withdrawal of cash hereunder and the taking or omission of any other action permitted by this Indenture.

Section 7.12. Successor Trustee as Trustee, Paying Agent and Bond Registrar. In the event of a change in the office of Trustee, the predecessor Trustee which has resigned, or has been removed or dissolved, shall cease to be Paying Agent for payment of principal of, premium, if any, and interest on the Bonds and Bond Registrar, and the successor Trustee shall become such Paying Agent and Bond Registrar.

Section 7.13. Certain Permitted Acts. The Trustee or any Paying Agent may become the owner of or deal in Bonds as fully and with the same rights it would have if it were not the Trustee or a Paying Agent. To the extent permitted by law, the Trustee, any Bond Registrar or any Paying Agent may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the owners of the Bonds or effect or aid in any reorganization growing out of enforcement of the Bonds or this Indenture, whether any such committee shall represent the owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Section 7.14. Records; Reporting Requirements. (a) The Trustee's records related to activities performed under this Indenture are subject to audit and inspection to the extent provided for in State law. The Trustee will maintain such financial transaction records in accordance with generally accepted accounting principles.

(b) The Trustee will provide monthly financial reports to the Board. Each financial report will cover financial activities during the preceding period covered by the report. These reports will consist of financial transaction registers. Financial transaction register means a register of all financial transactions during the reporting period for each fund and account maintained under this Indenture. Each financial transaction register will identify the Bonds and contain, for each fund and account, a date, description and amount for all financial transactions and starting and ending balances.

(c) In addition, to the extent the financial reports required by paragraph (b) do not provide sufficient information for the Board as may be necessary for the conduct of the annual audit of the financial condition of the Board or for the Board to comply with the reporting requirements established by the State law, the Trustee shall provide such additional information as may be reasonably requested by the Board

Section 7.15. Representations, Warranties and Covenants of the Trustee. The Trustee hereby represents, warrants and covenants as follows:

(a) All federal, state and local governmental, public, and regulatory authority approvals, consents, notices, authorizations, registrations, licenses, exemptions and filings that are required to have been obtained or made by the Trustee with respect to the authorization, execution, delivery, and performance by, or the enforcement against or by, the Trustee of this Indenture have been obtained, and are in full force and effect, and all conditions of such approvals, consents, notices, authorizations, registration, licenses, exemptions and filings have been fully complied with.

(b) The Trustee has a reported capital, surplus, and undivided profits of not less than $100,000,000.

(c) The Trustee has and shall maintain an operations group of experienced trust officers with primary responsibility for municipal bond issues.

ARTICLE VIII

SUPPLEMENTAL INDENTURES

Section 8.1. Supplemental Indentures Not Requiring Consent of Bondholders. The Board and the Trustee may without the consent of, or notice to, any of the owners of the Bonds, enter into supplemental indenture or indentures to this Indenture which shall not be inconsistent with the terms and provisions of this Indenture for any one or more of the following purposes:

(a) to cure ambiguity, formal defect, or omission in this Indenture;

(b) to grant to or confer upon the Trustee for the benefit of the owners of the Bonds any additional rights, remedies, powers or authority that may be lawfully granted to or conferred upon the owners of the Bonds or the Trustee or either of them;

(c) to subject to the lien and pledge of this Indenture additional revenues, properties or collateral;

(d) to modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification of this Indenture or any indenture supplemental hereto under any Federal statute hereafter in effect or under any state "Blue Sky Law", and, in connection therewith, if they so determine, to add to this Indenture or any indenture supplemental hereto such other terms, conditions and provisions as may be permitted or required by any such Federal statute or state "Blue Sky Law"; *provided*, that any such indenture supplemental hereto referred to in this subsection (d) shall not, in the judgment of the Trustee, which may rely on an opinion of counsel, be to the prejudice of the owners of the Bonds;

(e) to modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification of this Indenture under the Trust Indenture Act of 1939, as then amended, or any similar federal statute hereafter

in effect or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States of America;

(f) to release Political Subdivision Obligations from the lien of this Indenture as permitted by Section 5.10 hereof;

(g) to evidence the appointment of a separate trustee or the succession of a new Trustee hereunder or a successor to the Bond Registrar;

(h) to modify, amend or supplement this Indenture or any Supplemental Indenture in such manner to address the appointment of a Securities Depository to replace DTC and its book-entry-only system described in Section 2.10 hereof; or

(i) to make any other change which, in the sole judgment of the Trustee, does not materially adversely affect the interests of the owners of the Bonds. In exercising such judgment the Trustee may rely on the opinion of such counsel as it may reasonably select.

The Board and the Trustee may without the consent of, or notice to, any of the owners of the Bonds, enter into an indenture or indentures supplemental to this Indenture which shall not be inconsistent with the terms and provisions of this Indenture to amend, supplement or modify any provisions of this Indenture relating to the administration or implementation of the program to finance State Water Plan Projects, or affecting the ability of the Board to finance any State Water Plan Project; *provided*, that no such amendment, supplement or modification shall be enacted unless each of the Rating Agencies shall advise the Board in writing that the rating or ratings assigned by the Rating Agency to the Board's then outstanding Bonds will not be lowered, reduced or withdrawn as a result of the amendment, supplement or modification proposed to be enacted; and *provided, further*, that the Board shall give notice in the manner described in Section 11.3 hereof within sixty (60) days of the approval of such amendment or modification by the Board to the Bondholders, the Master Trustee and the Rating Agencies. Such notice shall set forth the text of the amendment, supplement or modification and state that each Rating Agency has advised the Board the rating or ratings assigned by the Rating Agency to the Board's then outstanding Bonds have not or will not be lowered, reduced, or withdrawn as a result of the amendment, supplement or modification to be enacted.

Section 8.2. Supplemental Indentures Requiring Consent of Bondholders. (a) Except for Supplemental Indentures authorized by Section 8.1 hereof and subject to the further provisions contained in this Section, and not otherwise, the owners of at least a majority in aggregate principal amount of the Bonds then Outstanding shall have the right from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and approve the execution by the Board and the Trustee of such other indenture supplemental hereto as shall be deemed necessary and desirable by the Board for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any indenture supplemental hereto. Nothing contained in this Section shall permit, or be construed as permitting, without the consent of the owners of all the Bonds then Outstanding (i) an extension of the stated maturity or reduction in the principal amount of, or

reduction in the rate or extension of the time of payment of interest on, any Bonds, or (ii) the creation of any lien on all or any portion of the Revenues and other funds pledged under this Indenture prior to or on a parity with the lien of this Indenture, or (iii) a reduction in the aforesaid aggregate principal amount of the Bonds the owners of which are required to consent to any such Supplemental Indentures. No such amendment shall modify the rights, duties or immunities of the Trustee without the written consent of the Trustee.

(b) If at any time the Board shall request the Trustee to enter into any such Supplemental Indenture for any of the purposes of this Section, the Trustee shall cause notice of the proposed execution of such Supplemental Indenture to be mailed to the Rating Agencies and to each owner of the Bonds Outstanding as shown by the Bond Register by United States mail, first class, postage prepaid. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture, and shall state that copies thereof are on file at the designated corporate trust office of the Trustee for inspection by all owners of the Bonds. If within ninety (90) days, or such longer period as shall be prescribed by the Board following the mailing of such notice, the owners of at least a majority in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as herein provided, no owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Board from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as in this Section 8.2 permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith.

(c) The Trustee may rely upon an opinion of counsel as conclusive evidence that any Supplemental Indenture entered into by the Board and the Trustee complies with the provisions of this Article VIII.

Section 8.3. Opinion of Bond Counsel. Notwithstanding anything to the contrary contained in Sections 8.1 and 8.2 hereof, before the Board and the Trustee enter into any Supplemental Indenture pursuant to Section 8.1 or Section 8.2 hereof, there shall have been delivered to the Board, the Trustee and the Political Subdivisions an opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by this Indenture and the Act, complies with their respective terms, and will, upon the execution and delivery thereof, be valid and binding upon the Board in accordance with its terms.

Section 8.4. Notice to the Rating Agencies. The Trustee shall send a copy of each Supplemental Indenture executed and delivered pursuant to this Article VIII to the Rating Agencies.

ARTICLE IX

DEFEASANCE

Section 9.1. Defeasance. (a) When all of the Bonds shall have been paid and discharged and the Board shall have paid or caused to be paid all other sums payable hereunder

by the Board, then the requirements contained in this Indenture and the pledge of Security made hereunder and all other rights granted hereby shall terminate. Bonds shall be deemed to have been paid and discharged within the meaning of this Indenture if there shall have been deposited with the Trustee, or other bank or trust company, having full trust powers and meeting the requirements of a successor Trustee hereunder impressed with a first lien to the Trustee for the benefit of the owners of the Bonds, at or prior to the maturity or redemption date of said Bonds, in trust for and irrevocably appropriated thereto, moneys and/or Defeasance Securities which, together with the interest to be earned on any such obligations, as evidenced by the written report of an independent certified public accountant, will be sufficient for the payment of the principal of said Bonds, the premium thereon, if any, and interest to accrue to the date of maturity or redemption, as the case may be, or if default in such payment shall have occurred on such date, then to the date of the tender of such payments; *provided, however,* that if any such Bonds shall be redeemed prior to the maturity thereof,

(1) the Board shall have elected to redeem such Bonds, and

(2) either notice of such redemption shall have been given, or the Board shall have given irrevocable instructions to the Trustee to redeem such Bonds.

(b) Any moneys and obligations which at any time shall be deposited with the Trustee or other bank by or on behalf of the Board, for the purpose of paying and discharging any of the Bonds, shall be and are hereby assigned, transferred and set over to the Trustee or other bank or trust company in trust for the respective owners of the Bonds, and such moneys shall be and are hereby irrevocably appropriated to the payment and discharge of this Indenture. All moneys deposited with the Trustee or other bank or trust company shall be deemed to be deposited in accordance with and subject to all of the provisions contained in this Indenture.

(c) Bonds for the payment of which moneys and/or Defeasance Securities shall have been deposited with the Trustee or such other bank or trust company (whether upon or prior to the maturity of such Bonds) shall be deemed to be paid and no longer Outstanding.

Section 9.2. Disposition of Trust Estate. Upon the payment or provision for payment of all Bonds as provided in Section 9.1 hereof, the Trustee shall execute and deliver to the Board such instruments in writing as shall be requisite to cancel and discharge the lien hereof, and, subject to the provisions of Section 4.19 hereof shall reconvey, release, assign and deliver the estate, right, title and interest in and to all property conveyed, assigned or pledged to the Trustee or otherwise subject to the lien of this Indenture, except amounts in the Debt Service Account, to such person or persons as shall be directed by the Master Trustee with the written approval of the Board.

ARTICLE X

CONTINUING DISCLOSURE UNDERTAKING

Section 10.1. Annual Reports. The Board shall provide annually to the MSRB, within 195 days after the end of each Fiscal Year ending in or after 2019, financial information and

operating data with respect to the Board of the general type included in Tables 1 and 2 and in Appendix A-1 in the final Official Statement authorized by the Board, being the information described in the resolution of the Board authorizing the execution of this Indenture. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in the resolution of the Board authorizing the execution of this Indenture and (2) audited, if the Board or the State, as appropriate, commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not so provided, then the Board shall provide notice that the audited financial statements are not available and provide unaudited financial statements within the required time for the applicable Fiscal Year to the MSRB, and audited financial statements when and if audited financial statements become available.

If the Board changes its Fiscal Year, it will notify the MSRB of the change (and of the date of the new Fiscal Year end) prior to the next date by which the Board otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC. All filings shall be made electronically, in the format specified by the MSRB.

Section 10.2. Disclosure Event Notices. The Board shall notify the MSRB, in a timely manner not in excess of ten (10) Business Days after the occurrence of any of the following events with respect to the Bonds:

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

undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional Trustee or change in the name of the Trustee, if material;
15. Incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

The Board shall notify the MSRB, in a timely manner, of any failure by the Board to provide financial information or operating data in accordance with Section 10.1 hereof by the time required by such Section.

As used in clause 12 above, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the Board in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if jurisdiction has been assumed by leaving the Board and officials or officers of the Board in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board.

As used in clauses 15 and 16 above, the term "Financial Obligation" means: (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii), however, the term Financial Obligation shall <u>not</u> include Municipal Securities as to which a final official statement has been provided to the MSRB consistent with the Rule; the term "Municipal Securities" means securities which are direct obligations of, or obligations guaranteed as to principal or interest by, a state or any political subdivision thereof, or any agency or instrumentality of a state or any political subdivision thereof, or any municipal corporate instrumentality of one or more states and any other Municipal Securities described by Section 3(a)(29) of the Securities Exchange Act of 1934, as the same may be amended from time to time; and the term "Obligated Person" means the Board.

Section 10.3. Limitations, Disclaimers, and Amendments. The Board shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the Board or the State remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the Board in any event will give the notice required by Section 10.2 of this Indenture of any Bond calls and defeasances that cause the Board and the State to be no longer "obligated persons".

The provisions of this Article are for the sole benefit of the holders and beneficial owners of the Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other Person. The Board undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Board's or the State's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The Board does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE BOARD BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE BOARD, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

All documents provided to the MSRB shall be accompanied by identifying information, as prescribed by the MSRB.

No default by the Board in observing or performing its obligations under this Article shall constitute a breach of or default under this Indenture for purposes of any other provision of this Indenture.

Nothing in this Article is intended or shall act to disclaim, waive, or otherwise limit the duties of the Board or the State under federal and State securities laws.

Should the Rule be amended to obligate the Board to make filings with or provide notices to entities other than the MSRB, the Board agrees to undertake such obligation in accordance with the Rule as amended.

The provisions of this Article may be amended by the Board from time to time 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 Board or the State, but only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds 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 (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Indenture that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a Person that is unaffiliated with the Board and the State (such as nationally-recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the Board so amends the provisions of this Article, it

shall include with any amended financial information or operating data next provided in accordance with Section 10.1 of this Indenture an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Board may also amend or repeal the provisions of this continuing disclosure requirement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but 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.

Section 10.4. Continuing Disclosure Undertaking of Significant Borrowers. The Board shall require each Significant Borrower to adopt an ordinance, order or resolution (a "*Significant Borrower Undertaking*") pursuant to which each Significant Borrower must agree to provide annually to the MSRB financial information and operating data with respect to the Significant Borrower of the general type hereinafter described and timely notice of any failure to do so by the time required by the Significant Borrower Undertaking. For purposes of this Section, the term Significant Borrower includes (i) any Political Subdivision that is expected to be a Significant Borrower as of the date of this Indenture (an "*Existing Significant Borrower*") and (ii) a Political Subdivision that, as a result of the Board's future acquisition of its Political Subdivision Obligations, or substitution of its Political Subdivision Obligations held in the Portfolio Account as permitted by this Indenture, or the prepayment or redemption of other Political Subdivision Obligations held in the Portfolio Account established by this Indenture, becomes a Significant Borrower (a "*Future Significant Borrower*"). Any Existing Significant Borrower must agree to provide, within 195 days after the end of each fiscal year of the Existing Significant Borrower ending in or after 2019, financial information and operating data with respect thereto of the nature included in the Significant Borrower Undertaking. Any financial statements so to be provided shall be prepared in accordance with the accounting principles described in the Significant Borrower Undertaking, or such other accounting principles as such Existing Significant Borrower may be required to employ from time to time pursuant to state law or regulation. Any Future Significant Borrower must agree to provide, within 195 days after the end of each fiscal year of the Future Significant Borrower ending in or after the year the Political Subdivision became a Significant Borrower, financial information and operating data with respect thereto of the nature required by the Rule and the Significant Borrower Undertaking. Any financial statements so to be provided shall be prepared in accordance with the accounting principles described in the Significant Borrower Undertaking, or such other accounting principles as such Significant Borrower may be required to employ from time to time pursuant to state law or regulation. In any case, if such Significant Borrower commissions an audit of such statements and the audit is completed within the period during which they must be provided, the financial statements to be provided shall be audited. If the audit of such financial statements is not complete within such period, then such Significant Borrower shall provide notice that the audited financial statements are not available and provide unaudited financial statements and thereafter audited financial statements for the applicable fiscal year to the MSRB, when and if the audit report on such statements become available.

If any Significant Borrower changes its fiscal year, it shall be the duty of such Significant Borrower, as required by its respective Significant Borrower Undertaking, to notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which such

Significant Borrower otherwise would be required to provide financial information and operating data pursuant to this Section. The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC.

Each Significant Borrower shall be obligated under its Significant Borrower Undertaking to observe and perform the covenants specified in this Section for so long as, but only for so long as, any Significant Borrower remains an "obligated person" with respect to the Bonds within the meaning of the Rule.

The provisions of this Section are for the sole benefit of the Holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person.

No default by any Significant Borrower in observing or performing its obligations as described in this Section shall constitute a breach of or default under this Indenture for purposes of any other provision of this Indenture. Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of any Significant Borrower under federal and state securities laws.

Each Significant Borrower Undertaking shall provide that the nature of the undertaking therein may be amended by any Significant Borrower from time to time 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 any Significant Borrower, but only if (1) the undertaking, as so amended, would have permitted an underwriter to purchase or sell its Political Subdivision Obligations in the primary offering of such Political Subdivision Obligations in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Indenture that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with any Significant Borrower (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Political Subdivision Obligations. If any Significant Borrower so amends its respective Significant Borrower Undertaking, it shall include with any amended financial information or operating data next provided in accordance with this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided.

The Board, as a condition to making financial assistance available to a Political Subdivision, requires that a Political Subdivision must include a provision in its authorizing proceedings to the effect that such Political Subdivision will covenant to provide relevant financial information and operating data with respect to such Political Subdivision annually to the MSRB within 195 days after the end of each fiscal year of such Political Subdivision, and to file with the MSRB certain specified "disclosure events" with respect to the Political Subdivision

Obligations consistent with the Rule, as if the Board were a "Participating Underwriter" within the meaning of the Rule.

As a result of the prepayment or redemption of Political Subdivision Obligations held in the Portfolio Account established by this Indenture, should a Political Subdivision become a Future Significant Borrower, the Trustee will promptly notify the Board and the Political Subdivision that becomes a Future Significant Borrower in writing that the Political Subdivision has become a Future Significant Borrower. As a result of the Political Subdivision Obligations held in the Portfolio Account of a Political Subdivision that is a Significant Borrower no longer comprising at least twenty percent (20%) in aggregate principal amount of all Political Subdivision Obligations held in the Portfolio Account, the Trustee will promptly notify the Board and such Political Subdivision in writing that such Political Subdivision no longer is a Significant Borrower. Notice to the Political Subdivision shall be sent to the address provided to the Trustee by the Board at the time the Political Subdivision Obligation is directed by the Board to be purchased by the Trustee in accordance with the provisions of Section 4.5(a) hereof.

If the Board is unable, through no fault of its own, to obtain a Significant Borrower Undertaking from any Political Subdivision which currently has Political Subdivision Obligations held in the Portfolio Account established by this Indenture, and which subsequently becomes a Significant Borrower, the Board is under no obligation to take any action if any such Significant Borrower fails to provide the information requested.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Consents, Etc., of Bondholders. Any consent, request, direction, approval, objection or other instrument required by this Indenture to be signed and executed by the owners of the Bonds may be in any number of concurrent writings of similar tenor and may be signed or executed by such owners in person or by a legal representative duly authorized in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing authorizing any such legal representative and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture (except for the assignment of a Bond), and shall be conclusive in favor of the Trustee with regard to any action taken under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution or by any means which the Trustee may reasonably deem to be sufficient; and

(b) The fact of ownership by any person of Bonds shall be proved by the Bond Register maintained by the Bond Registrar.

For all purposes of this Indenture and of the proceedings for the enforcement of this Indenture, such person shall be deemed to continue to be the owner of such Bonds until the Trustee shall have received notice in writing to the contrary.

Section 11.2. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give any person or company other than the parties hereto, the Master Trustee and the owners of the Bonds, any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and provisions of this Indenture being intended to be and being for the sole and exclusive benefit of the parties hereto and the owners of the Bonds as provided in this Indenture.

Section 11.3. Notices. Except as otherwise provided herein, it shall be sufficient service of any notice, request, complaint, demand or other paper required by this Indenture to be given to or filed with the Board, the Trustee, the Master Trustee, the Rating Agencies or the Bondholders if the same shall be duly mailed by United States mail, first class, postage prepaid, or sent by telegram, telecopy or telex or other similar communication, or when given by telephone, confirmed in writing by United States mail, first class, postage prepaid, or sent by facsimile, electronic mail or other similar communication, on the same day, addressed:

(a) To the Board:

Texas Water Development Board
1700 North Congress Avenue
Austin, Texas 78701
Attention: Executive Administrator
Phone: (512) 463-7847
Facsimile: (512) 475-2053
E-mail: General-Counsel@twdb.texas.gov
cc: General Counsel

(b) To the Trustee:

The Bank of New York Mellon Trust Company, National Association
601 Travis Street, 16th Floor, Houston, TX 77002
Attention: Corporate Trust Department
Phone: 512-236-6518
Fax: 713-483-6001
E-mail: saul.e.ramirez@bnymellon.com

(c) To the Master Trustee:

The Bank of New York Mellon Trust Company, National Association
601 Travis Street, 16th Floor, Houston, TX 77002
Attention: Corporate Trust Department
Phone: 512-236-6518
Fax: 713-483-6001
E-mail: saul.e.ramirez@bnymellon.com

(d) To Bond Counsel:

McCall, Parkhurst & Horton L.L.P.
717 N. Harwood, Suite 900
Dallas, Texas 75201
Phone: 214-754-9200
Fax: 214-754-9250

E-mail: adminstrator@mphlegal.com

(e) To Disclosure Counsel:

Bracewell LLP
711 Louisiana Street, Suite 2300
Houston, Texas 77002-2770
Phone: (713) 223-2300
Fax: (800) 404-3970
E-mail: barron.wallace@bracewell.com

(f) To the owners of the Bonds:

Addressed to each of the owners of all Bonds at the time Outstanding, as shown by the Bond Register. In case, by reason of the suspension of or irregularities in regular mail service, it shall be impractical to mail notice to the owners of Bonds of any event when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be sufficient giving of such notice.

(g) Initially, to the Rating Agencies at:

Fitch Ratings
33 Whitehall Street
New York, New York 10004
Phone: (212) 908-0500

S&P Global Ratings
55 Water Street
New York, New York 10041
Phone: (212) 438-2124

In the event of notice to any party other than the Board, a copy of the notice shall be provided to the Board. Each party may change its address by giving written notice of the new address to the other parties.

The Trustee is hereby instructed to give notice to the Rating Agencies if (i) the Trustee resigns or is removed, or a new Trustee is appointed, (ii) the Trustee is notified in writing by the Board that a payment default under a Political Subdivision Obligation has occurred, (iii) there is a call for the redemption of all Bonds, or (iv) to the extent the Trustee is notified in writing by the Board if any amendment is made to this Indenture or a Political Subdivision Obligation.

Section 11.4. Payments Due on Saturdays, Sundays and Holidays. In any case where the date of maturity of interest or premium, if any, on or principal of the Bonds shall not be a Business Day, then payment of interest or premium, if any, or principal need not be made on such date but may be made (without additional interest) on the next succeeding Business Day with the same force and effect as if made on the date of maturity.

Section 11.5. Severability. (a) If any provision of this Indenture shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions in this Indenture or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever.

(b) The invalidity of any one or more phrases, sentences, clauses or Sections in this Indenture shall not affect the remaining portion of this Indenture or any other part of this Indenture.

Section 11.6. Execution in Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page of this Indenture by telecopy or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Indenture.

Section 11.7. Governing Law. This Indenture is being executed with the intent that it shall be construed and enforced in accordance with the laws of the State. Venue for any actions brought under this Indenture to which the Board is a party shall lie in Travis County, Texas.

Section 11.8. No Recourse against Board's Officers. No recourse shall be had for the payment of the principal of, premium, if any, and interest on any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement contained in this Indenture or the purchase contract relating to any Bonds against any past, present or future member, officer, official, agent or employee of the Board, or any incorporator, member, officer, official, employee, director or trustee of any successor thereto, as such, either directly or through the Board or any successor thereto, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such incorporator, member, officer, official, employee, director, agent or trustee as such is hereby expressly waived and released as a condition of and consideration for the execution of this Indenture and the issuance of the Bonds.

Section 11.9. DTC Caption for Bonds. The following paragraph shall be used as a heading on the Bonds during the period that the provisions of Section 2.10(a) and (b) are applicable to the Bonds:

> Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York Corporation (*"DTC"*), to the Board or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co., or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest in this Bond.

Section 11.10. State Water Plan Projects. For purposes of this Indenture, State Water Plan Projects are those State Water Plan projects eligible to be financed under Subchapter H, specifically Section 15.474, Texas Water Code.

Section 11.11. Section 2270.002, Texas Government Code. Pursuant to Section 2270.002, Texas Government Code, the Trustee hereby represents that it is a company that does not, nor does any Affiliate of the Trustee, boycott Israel, and, subject to or as otherwise required by applicable Federal law, including, without limitation, 50 U.S.C. Section 4607, the Trustee, and any Affiliate of the Trustee, agrees not to boycott Israel during the term of this Indenture. As used herein, the term "boycott Israel" has the meaning given such term in Section 2270.002 of the Texas Government Code, and the term "company" has the meaning assigned to such term in Section 808.001(2) of the Texas Government Code. For purposes of this Section 11.11, the Trustee understands Affiliate to mean any entity that controls, is controlled by, or is under common control with the Trustee and exists to make a profit.

Section 11.12. Chapter 2252, Texas Government Code. For purposes of Subchapter F of Chapter 2252 of the Texas Government Code, the Trustee hereby represents that (i) it does not, nor does any Affiliate of the Trustee, engage in business with Iran, Sudan or any foreign terrorist organization as described in Chapter 2270 of the Texas Government Code, or Subchapter F of Chapter 2252 of the Texas Government Code, and (ii) it, and any Affiliate of the Trustee, is not a company identified on the lists maintained by the Texas Comptroller of Public Accounts under Sections 2252.153, 2270.0201 or 2270.0153 of the Texas Government Code. The term "foreign terrorist organization" as used herein has the meaning assigned to such term in Section 2252.151 of the Texas Government Code. For purposes of this Section 11.12, the Trustee understands Affiliate to mean any entity that controls, is controlled by, or is under common control with the Trustee and exists to make a profit.

Section 11.13. Section 2252.908, Texas Government Code. The Trustee represents and warrants, for purposes of Section 2252.908 of the Texas Government Code, that the Trustee is a wholly owned subsidiary of a publicly traded business entity.

[EXECUTION PAGE FOLLOWS]

IN WITNESS WHEREOF, the Board has caused these presents to be signed in its name and behalf and its official seal to be hereunto affixed and attested by its duly authorized officers and, to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be signed in its name and behalf and its corporate seal to be hereunto affixed and attested by its duly authorized officers, all as of the date first above written.

TEXAS WATER DEVELOPMENT BOARD

By _____
Chief Financial Officer

(SEAL)

ATTEST:

_____
Executive Administrator

THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee

By _____

Title: _____

(SEAL)

EXHIBIT A

FORM OF BOND

NO UNIT OF LOCAL GOVERNMENT OF THE STATE OF TEXAS PARTICIPATING IN THE SWIRFT PROGRAM ADMINISTERED BY THE TEXAS WATER DEVELOPMENT BOARD MAY PURCHASE THIS BOND, OR THIS BOND SHALL BE VOID.

Registered
No. R- ___

Registered
$_____

UNITED STATES OF AMERICA
STATE OF TEXAS
TEXAS WATER DEVELOPMENT BOARD
STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
REVENUE BOND, TAXABLE SERIES 2019B
(MASTER TRUST)

Interest Rate	Maturity Date	Date of Delivery	CUSIP NO.
___%	_____ 15, 20__	October __, 2019	

Registered Owner:

Principal Amount: _____ DOLLARS

Capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Indenture described herein.

THE TEXAS WATER DEVELOPMENT BOARD, an agency of the State of Texas (the *"Board"*), for value received, hereby promises to pay from the sources and as hereinafter provided to the Registered Owner shown above, or registered assigns, on the Maturity Date shown above the Principal Amount shown above, and in like manner to pay interest on said Principal Amount (computed on the basis of a 360-day year of twelve 30-day months) from the Date of Delivery shown above or from the most recent interest payment date to which interest has been paid or duly provided for, at the Interest Rate per annum shown above, semiannually on April 15, 2019 and on each October 15 and April 15 of each year thereafter (each a *"Payment Date"*), until said Principal Amount is paid.

The principal of and redemption premium, if any, and interest on, this Bond shall be payable in any currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts, and, except as otherwise provided herein, such principal and redemption premium, if any, shall be payable by check or draft at the designated payment office in Houston, Texas, of The Bank of New York

Mellon Trust Company, National Association, as Trustee (the *"Trustee"*), upon presentation and surrender of this Bond. Payment of the interest on this Bond shall be made to the person appearing on the Bond Register as the Registered Owner thereof as of the commencement of business of the Trustee on the Record Date for such Payment Date. If this Bond is held in book-entry only form, it will be registered in the name of the securities depository or its nominee, which will initially be Cede & Co., as nominee for The Depository Trust Company (*"DTC"*). Payments of interest on and principal of this Bond shall be made to DTC in accordance with its procedures. If this Bond is not held in book-entry-only form, payments of interest on and principal of this Bond shall be paid by check or draft of the Trustee mailed to such Registered Owner at its address as it appears on the Bond Register or at such other address as is furnished to the Trustee in writing by such Registered Owner. Notwithstanding the foregoing, payment of the principal, redemption premium, if any, and interest to any beneficial owner of $1,000,000 or more in aggregate principal amount of Bonds as of the commencement of business of the Trustee on the Record Date for a particular Payment Date may be made by wire transfer to such owner upon written notice to the Trustee from such owner containing the wire transfer address (which shall be in the continental United States of America) to which such owner wishes to have such wire directed and acknowledging that an electronic transfer fee is payable and which written notice is given by such owner to the Trustee not less than five (5) Business Days prior to such Record Date, in each case, irrespective of any transfer or exchange of the Bonds subsequent to such Record Date and prior to such Payment Date, unless the Board shall default in the payment of interest due on such Payment Date. In the event of any such default, such defaulted interest shall be payable to the person in whose name this Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by the Trustee, as Bond Registrar, which special record date shall not be less than ten (10) days preceding the date of payment of such defaulted interest. No principal of and redemption premium on this Bond is payable, unless the Registered Owner thereof shall have surrendered this Bond at the designated payment office of the Trustee.

This Bond and the series of which it is a part are special limited obligations of the Board, and are payable solely from the payments, revenues and receipts derived by the Board from the Political Subdivisions, and any other funds held by the Trustee under the Indenture and available for such payment, and are secured by a pledge and assignment of such payments, revenues, receipts and funds, as provided in the Indenture. This Bond and the series of which it is a part do not constitute an indebtedness, general or moral, or a pledge of the faith or loan of credit of the Board or the State of Texas (the *"State"*), within the purview of any constitutional limitation or provision. The Board is obligated to pay the principal of and interest on the Bonds and other costs incidental thereto only from the sources specified above. Neither the faith and credit nor the taxing power, if any, of the Board or the State is pledged to the payment of the principal of and interest on the Bonds or other costs incidental thereto. The Board has no taxing power.

This Bond, dated as of the Date of Delivery shown above, is one of an authorized series of Bonds of the Board in the aggregate principal amount of $_____ designated as "Texas Water Development Board State Water Implementation Revenue Fund for Texas Revenue Bonds, Taxable Series 2019B (Master Trust) (the *"Bonds"*), authorized by resolution of the Board and issued under and secured by a Bond Indenture dated as of October 1, 2019 (the *"Indenture"*), duly executed and delivered by the Board to the Trustee, pursuant to and in full

compliance with the laws of the State and particularly Subchapter H of Chapter 15 of the Texas Water Code (*"Subchapter H"*). The Bonds are issued for the purpose of providing moneys to fund loans to political subdivisions of the State through the purchase of Political Subdivision Obligations to finance state water plan projects, in furtherance of the laws of the State, particularly Subchapter H. To secure the payment of the principal of, premium, if any, and interest on the Bonds, the Board has pledged certain Political Subdivision Obligations to the Trustee under the Indenture.

To further secure the Bonds, the Board has entered into a Master Trust Indenture dated as of October 1, 2015 (the *"Master Trust Indenture"*) with The Bank of New York Mellon Trust Company, National Association, as Master Trustee, whereby certain moneys, to the extent available, will be deposited with the Master Trustee. Such moneys deposited with the Master Trustee will be available to the Trustee in the priorities specified in the Master Trust Indenture to provide a source of revenue or security for the payment of the Bonds, or in the event sufficient moneys are not available for the payment of the principal of and interest on the Bonds.

Copies of the Indenture and the Master Trust Indenture are on file at the principal corporate trust office of the Trustee, and reference is hereby made to the Indenture and the Master Trust Indenture for a description of the provisions, among others, with respect to the nature and extent of the security for the Bonds and the rights, duties and obligations of the Board, the Trustee and the owners of the Bonds.

The Bonds maturing on and after October 15, ____, are subject to redemption, at the option of the Board, in whole or in part on any date on and after October 15, ____ at the redemption price, of 100% of the principal amount thereof being redeemed, plus accrued interest thereon to the date fixed for redemption. Bonds to be redeemed pursuant to the optional redemption provisions above shall be selected from the maturities and in the principal amounts as shall be determined by the Board.

The Bonds scheduled to mature on _____ 15 in the years _____ (the *"Term Bonds*") are subject to scheduled mandatory redemption by the Paying Agent by lot, or by any other customary method that results in a random selection, at a price equal to the principal amount thereof, plus accrued interest to the redemption date, out of moneys available for such purpose in the interest and sinking fund for the Bonds, on the dates and in the respective principal amounts, set forth in the following schedule:

Term Bond Maturity: _____		Term Bond Maturity: _____	
Mandatory Redemption Date	Principal Amount ($)	Mandatory Redemption Date	Principal Amount($)
*		*	

*Final Maturity

The principal amount of Term Bonds of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the Board, by the principal amount of any Term Bonds of the same maturity which, at least 45 days prior to a mandatory redemption date (1) shall have been acquired by the Board at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent for cancellation, (2) shall have been purchased and canceled by the Paying Agent at the request of the Board at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Unless waived by any owner of Bonds to be redeemed, official notice of any redemption of Bonds shall be published at least thirty (30) days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity once in a financial publication, journal or reporter of general circulation among securities dealers in The City of New York, New York or in the State of Texas. Such notice of redemption shall also be given by the Trustee on behalf of the Board by mailing a copy of an official redemption notice by first class mail, postage prepaid, at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to the owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register; *provided, however*, that the failure to send, mail or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond, and it is hereby specifically provided that the publication of such notice as required above shall be the only notice actually required in connection with or as a

prerequisite to the redemption of any Bonds or portions thereof. Should notice to call Bonds for redemption at the option of the Board be given in the manner provided above, but the Board shall not be able to provide the Trustee with amounts sufficient to effect on the date fixed for redemption the payment of the entire redemption price of the Bonds so called for redemption, no Bonds shall be redeemed on the date fixed for redemption, and the notice of redemption for such Bonds shall be null and void.

This Bond is transferable, as provided in the Indenture, only upon the Bond Register kept for that purpose at the designated payment office of the Trustee at the written request of the Registered Owner hereof or his legal representative duly authorized in writing, upon surrender of this Bond to the Trustee, together with a written instrument of transfer satisfactory to the Trustee duly executed by the Registered Owner or his legal representative duly authorized in writing. Thereupon, and upon payment of the charges prescribed, a new Bond or Bonds of the same series and aggregate principal amount shall be issued to the transferee in exchange therefor as provided in the Indenture.

The Bonds are issuable in the form of fully registered bonds without coupons in the denomination of $5,000 each or any integral multiple thereof. Bonds may be exchanged for a Bond or Bonds of other authorized denominations of the same maturity, interest rate and aggregate principal amount.

The Registered Owner of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture. Modifications or alterations of the Indenture, or of any supplements thereto, may be made only to the extent and in the circumstances permitted by the Indenture.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture until the certificate of authentication hereon shall have been signed by a duly authorized signatory of the Trustee.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, the Texas Water Development Board has caused this Bond to be executed in its name by the manual or facsimile signature of its Chairman and attested by the manual or facsimile signature of its Executive Administrator, and its seal or a facsimile thereof to be hereunto affixed, impressed, imprinted or otherwise reproduced hereon, all as of the Date of Delivery shown above.

TEXAS WATER DEVELOPMENT BOARD

By: _____
Chairman

Attest:

By: _____ (SEAL)
Executive Administrator

CERTIFICATE OF COMPTROLLER OF PUBLIC ACCOUNTS (TO APPEAR ON INITIAL BONDS ONLY)

OFFICE OF COMPTROLLER :

REGISTER NO._____

STATE OF TEXAS :

I hereby certify that there is on file and of record in my office a true and correct copy of the opinion of the Attorney General of the State of Texas approving this Bond and that this Bond has been registered this day by me.

Witness my signature and seal this

_____
Comptroller of Public Accounts of
the State of Texas

CERTIFICATE OF AUTHENTICATION

It is hereby certified that this Bond has been issued under the provisions of the Indenture described on the face of this Bond; and that this Bond has been issued in conversion of and exchange for or replacement of a Bond, Bonds or a portion of a Bond or Bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, NATIONAL ASSOCIATION, as Trustee

By _____
Authorized Signatory

Date of Authentication: _____

[FORM OF ASSIGNMENT]

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

UNIF GIFT/TRAN MIN ACT-- _____Custodian _____
(Cust) (Minor)
under Uniform Gifts/Trans to
Minors Act _____
(State)

TEN COM -- as tenants in common
TEN ENT -- as tenants by the entireties
JT TEN -- as joint tenants with right of survivorship and not as tenants in common

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

Print or Type Name, Address and Social Security Number
or other Taxpayer Identification Number of Transferee

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

_____

attorney to transfer the within Bond on the books kept by the Trustee for the registration thereof, with full power of substitution in the premises.

Dated: _____

_____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular.

Signature Guaranteed By:

_____

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution as defined by SEC Rule 17Ad-15 (17 CFR 240.17Ad-15).

By _____
Title: _____

EXHIBIT B

SCHEDULE OF POLITICAL SUBDIVISION OBLIGATIONS

EXHIBIT C

SCHEDULE OF TRANSFERS FROM ASSISTANCE ACCOUNT

Transfer Date	Amount ($)

EXHIBIT D

SCHEDULE OF TRUSTEE FEES

SWIFT FUNDS TRANSFER AGREEMENT

THIS SWIFT FUNDS TRANSFER AGREEMENT (this "Agreement"), dated as of the _____ day of ____, 2019, is by and between the Texas Water Development Board (the "Board") and the Texas Treasury Safekeeping Trust Company (the "Trust Company") (each a "party" and together, the "parties")

W I T N E S S E T H:

WHEREAS, Article 3, Section 49-d-12, Texas Constitution ("Section 49-d-12") created the State Water Implementation Fund for Texas ("SWIFT") as a special fund in the state treasury outside the general revenue fund of the State of Texas (the "State") for the purpose of implementing the state water plan adopted by the Board as required by general law;

WHEREAS, subsection (b) of Section 49-d-12 provides that the Board may enter into "bond enhancement agreements" to provide additional security for general obligation bonds or revenue bonds of the Board, the proceeds of which are used to finance state water plan projects (general obligation bonds or revenue bonds issued to finance state water plan projects are referred to herein as "State Water Plan Bonds");

WHEREAS, Article 3, Section 49-d-13, Texas Constitution ("Section 49-d-13") created the State Water Implementation Revenue Fund for Texas ("SWIRFT") as a special fund in the state treasury outside the general revenue fund of the State, to be administered by the Board for the purpose of implementing the state water plan adopted by the Board as required by general law;

WHEREAS, SWIRFT consists of, *inter alia*, money disbursed from SWIFT to SWIRFT as authorized by general law;

WHEREAS, the Board is authorized by state law to issue revenue bonds for the purpose of providing money for SWIRFT;

WHEREAS, Section 15.432, Texas Water Code, provides that SWIFT and accounts within SWIFT are held by the Trust Company for and in the name of the Board;

WHEREAS, Section 49-d-12 and Section 15.435, Texas Water Code, address the ability of the Board and the Trust Company to enter into bond enhancement agreements to provide a source of revenue or security for the payment of State Water Plan Bonds;

WHEREAS, Section 15.435, Texas Water Code, provides that the Board and the Trust Company may enter into bond enhancement agreements to provide a source of revenue or security for the payment of State Water Plan Bonds, if the proceeds of the sale of State Water Plan Bonds will be deposited to the credit of SWIRFT, or other enumerated funds as set forth in subsection (b) of Section 15.435, Texas Water Code;

WHEREAS, the Board and the Trust Company previously have executed five bond enhancement agreements, pursuant to which the Board has received $617,766,865 in funds transferred from SWIFT to provide a source of revenue or security for the payment of State Water Plan Bonds;

WHEREAS, as of December 31, 2018, SWIFT had a fund balance of $1,648,684,323, an amount in excess of the amount the Board is requesting be transferred from SWIFT, in accordance with the terms of this Agreement;

WHEREAS, the Board is authorized to issue the bonds as described in Exhibit A hereto (the "Bonds") in accordance with a resolution adopted by the Board on July 22, 2019 (the "Bond Resolution"), and the terms of a purchase agreement with respect to the Bonds;

WHEREAS, the Bonds shall be issued in accordance with the terms of a Master Trust Indenture, dated as of October 1, 2015 (the "Master Indenture"), by and between the Board and The Bank of New York Mellon Trust Company, National Association ("BNY") (the "Master Trustee") and separate Bond Indentures, each dated as of October 1, 2019 (collectively, the "Bond Indentures"), by and between the Board and BNY (the "Bond Trustee") with respect to the Bonds, as identified in Exhibit A;

WHEREAS, the proceeds of the Bonds will be deposited to the credit of SWIRFT to provide financing for state water plan projects, consistent with the provisions of Section 15.472, Texas Water Code;

WHEREAS, the Board desires to enter into this Agreement to provide a source of revenue or security for the payment of principal of and interest on the Bonds; and

WHEREAS, this Agreement constitutes an interagency contract between the Board and the Trust Company,and is a bond enhancement agreement as described in and authorized by Section 49-d-12 and Section 15.435, Texas Water Code.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants herein contained, and subject to the conditions herein set forth, the Board and the Trust Company agree as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 1.01. Definitions.

As used in this Agreement, the terms defined in the preamble to this Agreement shall have the meaning set forth in the preamble, and the terms defined in this Article shall have the meaning set out below, unless the context requires a different meaning. Terms not defined in this Agreement shall have the meanings given such terms in the Master Indenture.

"Agreement" means this agreement as originally executed or as it may from time to time be supplemented, modified, or amended.

"Assistance Account" has the meaning specified for that term in the Bond Indentures.

"Board" means the Texas Water Development Board and any successor to its duties and functions.

"Board Request" means a request for the transfer of funds from SWIFT, signed in the name of the Board by the Executive Administrator, Chief Financial Officer or the Development Fund Manager, which the Trust Company may treat to be a duly authorized act of the Board.

"Bonds" means the bonds issued by the Board described in Exhibit A attached hereto,and identified in Exhibit A as the "Tax-Exempt Bonds" and the "Taxable Bonds".

"Business Day" means a day other than (i) a Saturday or Sunday, (ii) a legal holiday, or (iii) a date on which banking institutions in the city where the administrative offices of the Trust Company or the Designated Office of the Master Trustee are located and authorized by law or executive order to close.

"Code" means the Internal Revenue Code of 1986, as may be amended from time to time, and all applicable temporary, proposed and final regulations and procedures promulgated under the Code or promulgated under the Internal Revenue Code of 1954, to the extent applicable to the Code.

"Delivery Date" means the date of delivery of the Bonds in exchange for the purchase price thereof as set forth in the Purchase Agreement, which date shall be a Business Day.

"Designated Office" means the corporate trust office of the Master Trustee designated in the Master Indenture; initially, the Austin, Texas corporate trust office of the Master Trustee is its Designated Office.

"Execution Date" means the date the Purchase Agreement is executed by the Board and the representative of the underwriters named in the Purchase Agreement.

"Financial Advisor" means Hilltop Securities Inc.

"Fiscal Year" means the period of time beginning in each calendar year on September 1 and ending on August 31 of the calendar year next following.

"LBB" means the Legislative Budget Board.

"Political Subdivision" has the meaning specified for that term in Section 17.001(5), Texas Water Code.

"Political Subdivision Obligations" means bonds, notes or other obligations issued or entered into by a Political Subdivision and purchased by or otherwise obligated to the Board from the proceeds of the Bonds.

"Program Account" has the meaning specified for that term in the Master Indenture.

"Purchase Agreement" means a bond purchase agreement between the Board and the underwriters named therein, relating to the sale of the Bonds.

"Stated Amount" has the meaning specified for that term in Section 2.02 of this Agreement.

"Surplus Balance" means, for the Bonds, the available amount that is in excess of (i) the amount held in the “Assistance Account” established under the respective Bond Indentures to pay from time to time debt service on the Bonds in accordance with the terms of such Bond Indentures and (ii) any other amounts specified in the Bond Indentures to be paid from moneys received from transfers from SWIFT, that is transferred to the Master Trustee by a Bond Indenture Trustee from the “Surplus Revenue Account” established under the Bond Indentures.

"Transfer Account" has the meaning specified for that term in the Master Indenture.

"Trust Company" means the entity named as the "Trust Company" in the preamble of this Agreement or any of its successors or assigns.

SECTION 1.02. Written Communication.

Any request, demand, authorization, direction, notice, consent, waiver, or other written communication provided or permitted by this Agreement to be made upon, given or furnished to, or filed with:

A. the Board, shall be sufficient for every purpose hereunder if in writing and mailed by United States mail, first-class, postage prepaid, to the Board addressed to it at P.O. Box 13231, Austin, Texas 78711-3231 or at any other address previously furnished to the Trust Company in writing by the Board, and

B. the Trust Company, shall be sufficient for every purpose hereunder if in writing and mailed by United States mail, first-class, postage prepaid (and properly referred to this Agreement), to the Trust Company addressed to it at 208 East 10th Street, 4th Floor, Austin, Texas 78701, or at any other address previously furnished to the Board in writing by the Trust Company.

SECTION 1.03. Effect of Headings.

The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 1.04. Successors and Assigns.

All covenants and agreements in this Agreement by the Board and the Trust Company shall bind their respective successors and assigns.

SECTION 1.05. Severability Clause.

In case any provision of this Agreement, or any application thereof, shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions and applications of this Agreement shall not in any way be affected or impaired thereby.

SECTION 1.06. Amendment.

This Agreement may be amended only (i) by an agreement in writing by both of the parties hereto and (ii) with the written approval of such amendment by the Attorney General of the State.

SECTION 1.07. Governing Law.

This Agreement shall be construed in accordance with and governed by the laws of the State.

ARTICLE TWO

TRANSFER OF FUNDS FROM SWIFT

SECTION 2.01. Initial Determination of Transfer Amount.

In accordance with the provisions of Section 15.435(c), Texas Water Code, the Board hereby requests that the Trust Company disburse from SWIFT an amount not to exceed $120,000,000, to be transferred by the Board to the Master Trustee for deposit into the Transfer Account held by the Master Trustee. The disbursement of the Stated Amount from SWIFT to the Transfer Account will be made in the manner described in Sections 2.02 and 2.03 of this Agreement.

SECTION 2.02. Final Determination of Transfer Amount.

No later than four (4) Business Days following the Execution Date, an executed Board Request shall be delivered to the Trust Company, stating (a) the amount of the disbursement to be transferred by the Board to the Master Trustee for deposit into the Transfer Account (which amount may not exceed the amount set forth in Section 2.01 hereof, and is defined herein as the "Stated Amount") and (b) the Delivery Date. In no event will the Execution Date be within five (5) Business Days of the Delivery Date. The executed Board Request shall be attached to this Agreement as Exhibit B, and shall be incorporated by reference into this Agreement for all purposes.

SECTION 2.03. Transfer on Delivery Date.

Within five (5) Business Days of the Delivery Date, the Trust Company shall transfer the Stated Amount, in immediately available funds, to the Master Trustee, for deposit into the Transfer Account. In making such transfer, the Trust Company shall be entitled to rely on written instructions received from the Board directing the transfer and deposit of the Stated Amount. The Board shall use commercially reasonable efforts to ensure that the Trust Company has at least five (5) Business Days from the date the Board Request is delivered to complete the transfer.

SECTION 2.04. Use of Transferred Funds.

On the Delivery Date, the Stated Amount held in the Transfer Account shall be transferred by the Master Trustee to the Bond Trustee and deposited to the credit of the respective Assistance Accounts created under the terms of the Bond Indentures pertaining to the Tax-Exempt Bonds and the Taxable Bonds. Moneys deposited to the credit of the respective Assistance Accounts shall be invested on the Delivery Date in Investment Securities (as such term is defined in the Bond Indentures) as directed by the Board, in a manner that would not adversely affect the treatment of the Tax-Exempt Bonds as obligations described in section 103 of the Code.

ARTICLE THREE

REPRESENTATIONS OF THE BOARD

The Board represents that:

A. the Bonds are not issued as general obligation bonds of the State;

B. it is requesting a transfer of funds be made by the Trust Company from SWIFT in an amount equal to the Stated Amount, which Stated Amount is necessary to provide a source of revenue or security for the payment of the principal of and interest on the Bonds;

C. the Board delivered a copy of this Agreement to the LBB on June 26, 2018, and no disapproval of this Agreement was received by the Board from the LBB within 21 days after the LBB received a copy of this Agreement;

D. the request of a transfer of funds from SWIFT made pursuant to this Agreement is the first request made by the Board for a transfer of funds in the Fiscal Year commencing September 1, 2018;

E. in its application seeking financial assistance from the Board, to be funded with proceeds of the Bonds, each applicant has (i) submitted or implemented a water conservation plan in accordance with Section 11.1271, Texas Water Code, or (ii) satisfactorily completed a request by the Executive Administrator of the Board or a regional water planning group for information relevant to the project for which the financial assistance is sought, including a water infrastructure financing survey under Section 16.053(q), Texas Water Code; and

F. in its application seeking financial assistance from the Board, to be funded with proceeds of the Bonds, each applicant has acknowledged its legal obligation to comply with any applicable requirements of (i) federal law relating to contracting with disadvantaged business enterprises and (ii) state law relating to contracting with historically underutilized businesses.

ARTICLE FOUR

COVENANTS OF THE BOARD

The Board covenants that:

A. the Bonds will constitute State Water Plan Bonds;

B. proceeds received from the sale of the Bonds will be deposited to the credit of SWIRFT for the purpose of financing or refinancing projects included in the state water plan;

C. proceeds of the Bonds will be used to fund or purchase Political Subdivision Obligations, upon terms consistent with the provisions of Section 15.435(c), Texas Water Code, and to pay costs of issuance incurred in connection with the sale and delivery of the Bonds;

D. none of the proceeds of the Bonds shall be used to make grants;

E. the Master Indenture shall provide that once the Master Indenture has been fully discharged, or if there is transferred to the Master Trustee for deposit to the Program Account any Surplus Balance available under the Bond Indentures, the Board shall direct the Master Trustee to transfer amounts from the Program Account to the Texas Comptroller of Public Accounts for deposit to the credit of SWIFT, in satisfaction of the provisions of Section 15.435(i), Texas Water Code;

F. on or before the Delivery Date, the Board will provide to the Trust Company (i) a certified copy of the Bond Resolution and the Master Indenture and (ii) executed copies of the Bond Indentures; and

G. throughout the term of the Bond Indentures, the Board will cause the Bond Trustee to: (i) provide sufficient information to the Board to permit the Board to compute such calculations as may be required by section 148 of the Code in respect to the Tax-Exempt Bonds; (ii) cooperate with the Board in assisting the Board in complying with requests received by the Internal Revenue Service relating to the Tax-Exempt Bonds; and (iii) maintain such records as may be required by the Code to demonstrate compliance with the provisions of the Code applicable to the Tax-Exempt Bonds for the periods necessary under the Code.

ARTICLE FIVE

MISCELLANEOUS

SECTION 5.01. Certain Duties and Responsibilities of the Trust Company.

The Trust Company undertakes to perform the duties set forth herein and agrees to use reasonable care in the performance thereof. The Board and the Trust Company agree that:

A. the Trust Company shall exercise reasonable care in the performance of its duties as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Trust Company;

B. whether therein expressly so provided, every provision of this Agreement relating to the conduct or affecting the liability of or affording protection to the Trust Company shall be subject to the provisions of this Section; and

C. the Trust Company may disburse funds from SWIFT to the Transfer Account in the manner described in this Agreement, and may act on a facsimile or electronic mail transmission of the closing memorandum acknowledged by the Board as the final closing memorandum.

SECTION 5.02. Certain Rights of Trust Company.

Except as otherwise provided in Section 5.01 hereof:

A. the Trust Company may rely and shall be protected in acting upon the Board Request or any other document reasonably believed by it to be genuine and to have been signed or presented by a person authorized under this Agreement;

B. the Trust Company may consult with legal counsel and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered, or omitted by the Trust Company hereunder in good faith and in reliance thereon; and

C. the Trust Company shall not be bound to make any investigation into the facts of matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, or document, but the Trust Company, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trust Company shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records, and premises of the Board, personally or by agent or attorney.

SECTION 5.03. Trust Company Not Responsible for Bonds.

The Trust Company shall not be accountable for the issuance of the Bonds or for the use or application of the proceeds thereof.

SECTION 5.04. Trust Company's Funds Not Used.

No provision of this Agreement shall require the Trust Company to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder.

SECTION 5.05. Termination.

This Agreement will terminate once funds are transferred from SWIFT for deposit to the credit of the Transfer Account in the manner described in this Agreement.

SECTION 5.06. Entire Agreement.

This Agreement constitutes the entire agreement between the parties hereto relative to the Trust Company transferring funds from SWIFT to the Board to provide a source of revenue or security for the payment of principal of and interest on the Bonds.

SECTION 5.07. Counterparts.

This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Agreement. This Agreement may be delivered by the exchange of signed signature pages by facsimile transmission or by electronic mail with a pdf copy or other replicating image attached, and any printed or copied version of any signature page so delivered shall have the same force and effect as an originally signed version of such signature page.

[*Execution Page Follows*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, and their respective seals to be hereunto affixed and attested, all as of the day and year first above written.

TEXAS WATER DEVELOPMENT BOARD

By: _____
Chief Financial Officer

ATTEST:

_____ (SEAL)
Executive Administrator

TEXAS TREASURY SAFEKEEPING TRUST COMPANY

By: _____
Title: _____

EXHIBIT A

Texas Water Development Board State Water Implementation Revenue Fund for Texas Revenue Bonds, Series 2019A (Master Trust), in the aggregate principal amount of $_____* (the "Tax-Exempt Bonds").

Texas Water Development Board State Water Implementation Revenue Fund for Texas Revenue Bonds, Taxable Series 2019B (Master Trust), in the aggregate principal amount of $_____* (the "Taxable Bonds").

_____

*Preliminary; subject to change

EXHIBIT B

EXECUTED BOARD REQUEST

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED [_____]

NEW ISSUES – BOOK-ENTRY ONLY

Ratings: Fitch: Applied For;
S&P: Applied For
(See "Other Information − Ratings")

*In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Series 2019A Bonds (hereinafter defined) is excludable from gross income for federal income tax purposes under statutes, regulations, rulings and court decisions existing on their date of initial delivery and the Series 2019A Bonds are not "specified private activity bonds". See "**TAX MATTERS − Tax-Exempt Bonds**" for a discussion of the opinion of Bond Counsel. Interest on the Taxable Series 2019B Bonds (hereinafter defined) will be included in gross income for federal income tax purposes. See "**TAX MATTERS – Taxable Bonds**".*

$_____*
TEXAS WATER DEVELOPMENT BOARD

$_____*
STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS REVENUE BONDS, SERIES 2019A (MASTER TRUST)

$_____*
STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS REVENUE BONDS, TAXABLE SERIES 2019B (MASTER TRUST)

Interest Accrual: Date of Delivery (hereinafter defined) **Due: April 15** and **October 15**, as shown on inside cover pages

The Texas Water Development Board (the "**Board**") is issuing its State Water Implementation Revenue Fund for Texas Revenue Bonds, Series 2019A (Master Trust) (the "**Series 2019A Bonds**") and its State Water Implementation Revenue Fund for Texas Revenue Bonds, Taxable Series 2019B (Master Trust) (the "**Taxable Series 2019B Bonds**" and, together with the Series 2019A Bonds, the "**Series 2019 Bonds**") pursuant to a Master Trust Indenture between the Board and The Bank of New York Mellon Trust Company, National Association (the "**Master Trustee**") dated as October 1, 2015 (the "**Master Indenture**"), a Bond Indenture between the Board and The Bank of New York Mellon Trust Company, National Association (the "**2019A Bond Trustee**"), dated as October 1, 2019, with respect to the issuance of the Series 2019A Bonds (the "**2019A Bond Indenture**") and a Bond Indenture between the Board and The Bank of New York Mellon Trust Company, National Association (the "**2019B Bond Trustee**" and, together with the 2019A Bond Trustee, the "**Bond Indenture Trustee**"), dated as October 1, 2019, with respect to the issuance of the Taxable Series 2019B Bonds (the "**2019B Bond Indenture**" and, together with the 2019A Bond Indenture, the "**Bond Indentures**"), which Bond Indentures were approved by a resolution adopted by the Board on July 22, 2019 (the "**Resolution**"). The Master Indenture and the Bond Indentures are collectively referred to herein as the "**Indentures**". See "**INTRODUCTION**". Interest on the Series 2019 Bonds of each series will accrue from their Date of Delivery at the fixed rates of interest shown on the inside cover pages hereof. Interest on each series of Series 2019 Bonds will be payable on April 15, 2020, and on each October 15 and April 15 thereafter until maturity or prior redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Series 2019 Bonds are being issued only as fully registered bonds in the denomination of $5,000 or any integral multiple thereof within a series and maturity.

The Board initially will issue the Series 2019 Bonds registered only in the name of Cede & Co., the nominee of The Depository Trust Company, New York, New York ("**DTC**"), pursuant to the book-entry-only system described in "***APPENDIX E* – DESCRIPTION OF BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES**". Principal of the Series 2019 Bonds will be payable to Cede & Co., which will make distributions of the payments to the participating members of DTC for subsequent remittance to the Beneficial Owners (as defined in *Appendix E).* In the event the Series 2019 Bonds are not in the book-entry-only system, payment of principal of the Series 2019 Bonds will be made to the registered owner upon maturity or redemption prior to maturity only upon presentation and surrender of such Series 2019 Bonds at the Designated Payment/Transfer Office of the Bond Indenture Trustee, as initial Paying Agent/Registrar (the "**Paying Agent/Registrar**"). As of the date hereof, the Designated Payment/Transfer Office of the Paying Agent/Registrar is in Houston, Texas.

The proceeds from the sale of the Series 2019 Bonds will be used (i) to provide funds to finance projects to implement the State Water Plan, as defined herein, through the purchase or entering into of bonds, notes, agreements or other evidences of indebtedness (collectively, the "**Political Subdivision Obligations**") purchased from, or entered into with, a Political Subdivision to evidence the obligation to repay Political Subdivision Obligations made or incurred pursuant thereto, as further described in *Appendix A-1* and *Appendix A-2,* and (ii) to pay the costs of issuance of the Series 2019 Bonds. See "**PLAN OF FINANCE**".

The Series 2019 Bonds are special, limited obligations of the Board equally and ratably secured by and payable solely from a lien on the related Security, as hereinafter defined, pursuant to the applicable Bond Indenture including, but not limited to: (i) all Revenues, as hereinafter defined, held under the related Bond Indenture; (ii) all amounts held in the funds and accounts established under the applicable Bond Indenture (other than the Rebate Fund established for the Series 2019A Bonds and the Costs of Issuance Accounts established for the Series 2019 Bonds); and (iii) all of the proceeds of the foregoing including, without limitation, investments thereof. In addition, the Series 2019 Bonds are secured by amounts that become available under the Master Indenture. **The security held under the 2019A Bond Indenture does not secure the Taxable Series 2019B Bonds. The security held under the 2019B Bond Indenture does not secure the Series 2019A Bonds.** See "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS**".

The Series 2019 Bonds are subject to optional redemption prior to their stated maturity. The Series 2019 Bonds may be subject to mandatory sinking fund redemption as described herein. See "**THE SERIES 2019 BONDS - Redemption**".

The Series 2019 Bonds are issued under authority of the laws of the State of Texas, including specifically Subchapter H, Chapter 15, Texas Water Code, as amended. The Series 2019 Bonds shall never constitute general obligations of the Board or the State of Texas within the meaning of any constitutional or statutory provision or limitation. Issuance of the Series 2019 Bonds shall not, directly, indirectly or contingently, obligate the State of Texas to levy any form of taxation therefor or make any appropriation for their payment. The Board has no taxing power.

SEE INSIDE COVER PAGES HEREIN FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, AND CUSIP NUMBERS.

*The Series 2019 Bonds are offered for delivery when, as and if issued, and are subject to the approval of the Attorney General of the State of Texas and subject to the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Bond Counsel. Certain legal matters will be passed upon for the Board by Bracewell LLP, Houston, Texas, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. See "OTHER INFORMATION – Legal Opinions". It is expected that the Series 2019 Bonds will be delivered through the facilities of DTC on or about October 10, 2019 (the "**Date of Delivery**").*

BofA Securities Inc.

Citigroup | **FTN Financial Securities, Inc.** | **J.P. Morgan**
Mesirow Financial | **Morgan Stanley** | **Pipet Jaffray & Co.**
RBC Capital Markets | **Ramirez & Co., Inc.** | **Siebert Cisneros Shank & Co., L.L.C.**
Wells Fargo Securities

* Preliminary, subject to change

MATURITY SCHEDULE
$_____[1]
TEXAS WATER DEVELOPMENT BOARD
STATE WATER IMPLEMENTATION
REVENUE FUND FOR TEXAS REVENUE BONDS,
SERIES 2019A (MASTER TRUST)

CUSIP Prefix: 882854[3]

Maturity[2]	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix [3]	Maturity[2]	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix [3]

(Interest accrues from Date of Delivery)

_____
[1] Preliminary, subject to change.
[2] Optional Redemption. The Series 2019A Bonds having stated maturities on and after _____15, 20__, are subject to redemption at the option of the Board, in whole or from the time to time in part, on _____15, 20__ or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See "THE SERIES 2019 BONDS – Redemption".
[3] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the services provided by CUSIP. The State, the Board, the Financial Advisor, and the Underwriters are not responsible for the selection or correctness of the CUSIP numbers set forth herein.

MATURITY SCHEDULE
$_____[1]
TEXAS WATER DEVELOPMENT BOARD
STATE WATER IMPLEMENTATION
REVENUE FUND FOR TEXAS REVENUE BONDS,
TAXABLE SERIES 2019B (MASTER TRUST)

CUSIP Prefix: 882854[3]

Maturity[2]	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix [3]	Maturity[2]	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix [3]

(Interest accrues from Date of Delivery)

[1] Preliminary, subject to change.

[2] Optional Redemption. The Taxable Series 2019B Bonds having stated maturities on and after _____15, 20__, are subject to redemption at the option of the Board, in whole or from the time to time in part, on _____15, 20__ or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See "THE SERIES 2019 BONDS – Redemption".

[3] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the services provided by CUSIP. The State, the Board, the Financial Advisor, and the Underwriters are not responsible for the selection or correctness of the CUSIP numbers set forth herein.

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TEXAS WATER DEVELOPMENT BOARD

MEMBERS

Members	Term Expiration
Peter M. Lake, Chairman	February 1, 2021
Kathleen Jackson, Member	February 1, 2023
Brooke T. Paup, Member	February 1, 2025

STAFF MEMBERS

Jeff Walker	Executive Administrator
Amanda Lavin	Assistant Executive Administrator
Jessica Zuba	Deputy Executive Administrator
Rebecca Trevino	Chief Financial Officer
Georgia Sanchez	Director, Debt and Portfolio Management and Development Fund Manager
Todd Chenoweth	General Counsel

BOND COUNSEL
McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

FINANCIAL ADVISOR
Hilltop Securities Inc.
Austin, Dallas and San Antonio, Texas

DISCLOSURE COUNSEL
Bracewell LLP
Houston, Texas

MASTER TRUSTEE
The Bank of New York Mellon Trust Company, N.A.
Houston, Texas

BOND INDENTURE TRUSTEE
The Bank of New York Mellon Trust Company, N.A.
Houston, Texas

Questions regarding this Official Statement may be directed to Georgia Sanchez, Director, Debt and Portfolio Management and Development Fund Manager, Texas Water Development Board, 1700 North Congress Avenue, Austin, Texas 78701; Telephone: (512) 475-4584; Electronic Mail: georgia.sanchez@twdb.texas.gov.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), as amended and in effect on the date hereof, this document constitutes an Official Statement of the Board with respect to the Series 2019 Bonds that has been "deemed final" by the Board as of its date except for the omission of no more than the information permitted by the Rule.

No dealer, broker, salesman or other person has been authorized by the Board or the Underwriters to give any information, or to make any representations 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 Board or the Underwriters. This Official Statement does not constitute an offer to sell, or a solicitation of an offer to buy, Bonds in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such jurisdiction.

Certain information set forth herein has been obtained from the Board and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriters. Any information and expressions 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 any implication that there has been no change in the affairs of the Board or other matters described herein since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2019 BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2019 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

NEITHER THE BOARD, ITS FINANCIAL ADVISOR NOR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN FURNISHED BY DTC.

THE 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 RESPECTIVE 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.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ("SEC") NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

No registration statement relating to the Series 2019 Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon an exemption provided thereunder. The Series 2019 Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Series 2019 Bonds been registered or qualified under the securities laws of any other jurisdiction. The Board assumes no responsibility for registration or qualification for sale or other disposition of the Series 2019 Bonds under the securities laws of any jurisdiction in which the Series 2019 Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Series 2019 Bonds will not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

REFERENCES HEREIN TO THE "ISSUER" MEANS THE TEXAS WATER DEVELOPMENT BOARD AND REFERENCES TO "BONDS" OR "SECURITIES" MEAN THE SERIES 2019 BONDS OF EACH SERIES OFFERED HEREBY. NEITHER THE ISSUER NOR THE UNDERWRITERS ASSUME ANY RESPONSIBILITY FOR THIS SECTION.

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF $5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 30 UNITS (BEING 30 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF $150,000).

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA ("EEA"). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED,"MIFID II"); OR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE 2002/92/EC (AS AMENDED, THE "INSURANCE MEDIATION DIRECTIVE"), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN DIRECTIVE 2003/71/EC (AS AMENDED, THE "PROSPECTUS DIRECTIVE"). CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (AS AMENDED, THE "PRIIPS REGULATION") FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

THIS OFFICIAL STATEMENT HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE BONDS TO ANY PERSON THAT IS LOCATED WITHIN A MEMBER STATE OF THE EEA WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 3 OF THE PROSPECTUS DIRECTIVE, AS IMPLEMENTED IN MEMBER STATES OF THE EEA, FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR OFFERS OF THE SECURITIES. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE ANY OFFER IN THE EEA OF THE BONDS SHOULD ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY OF THE UNDERWRITERS TO PRODUCE A PROSPECTUS FOR SUCH OFFER. NEITHER THE ISSUER NOR THE UNDERWRITERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF BONDS THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE UNDERWRITERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE BONDS CONTEMPLATED IN THIS OFFICIAL STATEMENT.

IN RELATION TO EACH MEMBER STATE OF THE EEA THAT HAS IMPLEMENTED THE PROSPECTUS DIRECTIVE (EACH, A "RELEVANT MEMBER STATE"), WITH EFFECT FROM AND INCLUDING THE DATE ON WHICH THE PROSPECTUS DIRECTIVE IS IMPLEMENTED IN THAT RELEVANT MEMBER STATE, THE OFFER OF ANY BONDS WHICH IS THE SUBJECT OF THE OFFERING CONTEMPLATED BY THIS OFFICIAL STATEMENT IS NOT BEING MADE AND WILL NOT BE MADE TO THE PUBLIC IN THAT RELEVANT MEMBER STATE, OTHER THAN: (A) TO ANY LEGAL ENTITY WHICH IS A "QUALIFIED INVESTOR" AS SUCH TERM IS DEFINED IN THE PROSPECTUS DIRECTIVE; (B) TO FEWER THAN 150 NATURAL OR LEGAL PERSONS (OTHER THAN "QUALIFIED INVESTORS" AS SUCH TERM IS DEFINED IN THE PROSPECTUS Viii DIRECTIVE), SUBJECT TO OBTAINING THE PRIOR CONSENT OF THE RELEVANT INITIAL

PURCHASER OR THE ISSUER FOR ANY SUCH OFFER OR (C) IN ANY OTHER CIRCUMSTANCES FALLING WITHIN ARTICLE 3(2) OF THE PROSPECTUS DIRECTIVE; PROVIDED THAT NO SUCH OFFER OF THE BONDS SHALL REQUIRE THE ISSUER OR THE INITIAL PURCHASERS TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS DIRECTIVE OR A SUPPLEMENT TO A PROSPECTUS PURSUANT TO ARTICLE 16 OF THE PROSPECTUS DIRECTIVE.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN "OFFER OF SECURITIES TO THE PUBLIC" IN RELATION TO THE BONDS IN ANY RELEVANT MEMBER STATE MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE BONDS TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE THE BONDS, AS THE SAME MAY BE VARIED IN THAT RELEVANT MEMBER STATE BY ANY MEASURE IMPLEMENTING THE PROSPECTUS DIRECTIVE IN THAT RELEVANT MEMBER STATE.

EACH SUBSCRIBER FOR OR PURCHASER OF THE SECURITIES IN THE OFFERING LOCATED WITHIN A RELEVANT MEMBER STATE WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT IT IS A "QUALIFIED INVESTOR" WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE. THE ISSUER AND EACH INITIAL PURCHASER AND OTHERS WILL RELY ON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATION, ACKNOWLEDGEMENT AND AGREEMENT.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

THIS OFFICIAL STATEMENT IS FOR DISTRIBUTION ONLY TO, AND IS DIRECTED SOLELY AT, PERSONS WHO THAT ARE QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE WHO (I) ARE INVESTMENT PROFESSIONALS AS SUCH TERM IN DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE "FINANCIAL PROMOTION ORDER"), (II) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER, (III) ARE OUTSIDE THE UNITED KINGDOM, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (THE "FSMA")) IN CONNECTION WITH THE ISSUE OR SALE OF ANY BONDS MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THIS OFFICIAL STATEMENT IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS, INCLUDING IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA APPLIES TO THE ISSUER. THIS OFFICIAL STATEMENT AND ITS CONTENTS ARE CONFIDENTIAL AND SHOULD NOT BE DISTRIBUTED, PUBLISHED OR REPRODUCED (IN WHOLE OR IN PART) OR DISCLOSED BY RECIPIENTS TO ANY OTHER PERSONS IN THE UNITED KINGDOM. IN THE UNITED KINGDOM, ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFICIAL STATEMENT OR ANY OF ITS CONTENTS. THIS OFFICIAL STATEMENT HAS NOT BEEN APPROVED FOR THE PURPOSES OF SECTION 21 OF THE FSMA AND DOES NOT CONSTITUTE AN OFFER TO THE PUBLIC IN ACCORDANCE WITH THE PROVISIONS OF SECTION 85 OF THE FSMA.

NOTICE TO PROSPECTIVE INVESTORS OF HONG KONG

THE CONTENTS OF THIS OFFICIAL STATEMENT HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFER OF THE BONDS. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS OFFICIAL STATEMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

THIS OFFICIAL STATEMENT HAS NOT BEEN, AND WILL NOT BE, REGISTERED AS A PROSPECTUS (AS DEFINED IN THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CHAPTER 32 OF THE LAWS OF HONG KONG)) IN HONG KONG NOR HAS IT BEEN APPROVED BY THE SECURITIES AND FUTURES COMMISSION OF HONG KONG PURSUANT TO THE SECURITIES AND FUTURES ORDINANCE (CHAPTER 571 OF THE LAWS OF HONG KONG) ("SFO"). ACCORDINGLY, THE BONDS MAY NOT BE OFFERED OR SOLD IN HONG KONG BY MEANS OF THIS OFFICIAL STATEMENT OR ANY OTHER DOCUMENT, AND THIS OFFICIAL STATEMENT MUST NOT BE ISSUED, CIRCULATED OR DISTRIBUTED IN HONG KONG, OTHER THAN TO 'PROFESSIONAL INVESTORS' AS DEFINED IN THE SFO AND ANY RULES MADE UNDER THE SFO. IN ADDITION, NO PERSON MAY ISSUE OR HAVE IN ITS POSSESSION FOR THE PURPOSES OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE, ANY ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE BONDS, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC OF HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO BONDS WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY (A) TO PERSONS OUTSIDE HONG KONG, (B) TO 'PROFESSIONAL INVESTORS' AS DEFINED IN THE SFO AND ANY RULES MADE UNDER THE SFO.

NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND

THIS OFFICIAL STATEMENT IS NOT INTENDED TO CONSTITUTE AN OFFER OR A SOLICITATION TO PURCHASE OR INVEST IN THE BONDS. THE BONDS MAY NOT BE PUBLICLY OFFERED, SOLD OR ADVERTISED, DIRECTLY OR INDIRECTLY, IN, INTO OR FROM SWITZERLAND AND WILL NOT BE LISTED ON THE SIX SWISS EXCHANGE OR ON ANY OTHER EXCHANGE OR REGULATED TRADING FACILITY IN SWITZERLAND. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS CONSTITUTES A PROSPECTUS AS SUCH TERM IS UNDERSTOOD PURSUANT TO ART. 652A OR ART. 1156 OF THE SWISS CODE OF OBLIGATIONS OR A LISTING PROSPECTUS WITHIN THE MEANING OF THE LISTING RULES OF THE SIX SWISS EXCHANGE OR ANY OTHER REGULATED TRADING FACILITY IN SWITZERLAND, AND NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS MAY BE PUBLICLY DISTRIBUTED OR OTHERWISE MADE PUBLICLY AVAILABLE IN SWITZERLAND. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE OFFERING, NOR THE ISSUER, NOR THE BONDS HAVE BEEN OR WILL BE FILED WITH OR APPROVED BY ANY SWISS REGULATORY AUTHORITY. THE BONDS ARE NOT SUBJECT TO SUPERVISION BY ANY SWISS REGULATORY AUTHORITY, E.G., THE SWISS FINANCIAL MARKET SUPERVISORY AUTHORITY FINMA AND THE OFFER OF BONDS HAS NOT BEEN AND WILL NOT BE AUTHORIZED UNDER THE SWISS FEDERAL ACT ON COLLECTIVE INVESTMENT SCHEMES ("CISA"), AND INVESTORS IN THE BONDS WILL NOT BENEFIT FROM PROTECTION PROVIDED UNDER THE CISA OR SUPERVISION BY ANY SWISS REGULATORY AUTHORITY.

SELLING RESTRICTIONS FOR OFFER OF SECURITIES IN SINGAPORE

THIS OFFICIAL STATEMENT HAS NOT BEEN AND WILL NOT BE REGISTERED AS A PROSPECTUS WITH THE MONETARY AUTHORITY OF SINGAPORE. ACCORDINGLY, THIS OFFICIAL STATEMENT AND ANY OTHER DOCUMENT OR MATERIAL IN CONNECTION WITH THE OFFER OR SALE, OR INVITATION FOR SUBSCRIPTION OR PURCHASE, OF THE BONDS MAY NOT BE CIRCULATED OR DISTRIBUTED, NOR MAY THE BONDS BE OFFERED OR SOLD, OR BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, WHETHER DIRECTLY OR INDIRECTLY, TO PERSONS IN SINGAPORE OTHER THAN (I) TO AN

INSTITUTIONAL INVESTOR UNDER SECTION 274 OF THE SECURITIES AND FUTURES ACT, CHAPTER 289 OF SINGAPORE (THE "SFA"), (II) TO A RELEVANT PERSON PURSUANT TO SECTION 275(1), OR ANY PERSON PURSUANT TO SECTION 275(1A), AND IN ACCORDANCE WITH THE CONDITIONS SPECIFIED IN SECTION 275, OF THE SFA, OR (III) OTHERWISE PURSUANT TO, AND IN ACCORDANCE WITH THE CONDITIONS OF, ANY OTHER APPLICABLE PROVISION OF THE SFA. WHERE THE BONDS ARE SUBSCRIBED OR PURCHASED UNDER SECTION 275 OF THE SFA BY A RELEVANT PERSON WHICH IS: (A) A CORPORATION (WHICH IS NOT AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA)) THE SOLE BUSINESS OF WHICH IS TO HOLD INVESTMENTS AND THE ENTIRE SHARE CAPITAL OF WHICH IS OWNED BY ONE OR MORE INDIVIDUALS, EACH OF WHOM IS AN ACCREDITED INVESTOR; OR (B) A TRUST (WHERE THE TRUSTEE IS NOT AN ACCREDITED INVESTOR) WHOSE SOLE PURPOSE IS TO HOLD INVESTMENTS AND EACH BENEFICIARY OF THE TRUST IS AN INDIVIDUAL WHO IS AN ACCREDITED INVESTOR, SECURITIES (AS DEFINED IN SECTION 239(1) OF THE SFA) OF THAT CORPORATION OR THE BENEFICIARIES' RIGHTS AND INTEREST (HOWSOEVER DESCRIBED) IN THAT TRUST SHALL NOT BE TRANSFERRED WITHIN SIX MONTHS AFTER THAT CORPORATION OR THAT TRUST HAS ACQUIRED SUCH BONDS PURSUANT TO AN OFFER MADE UNDER SECTION 275 OF THE SFA, EXCEPT: (1) TO AN INSTITUTIONAL INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA) OR TO A RELEVANT PERSON (AS DEFINED IN SECTION 275(2) OF THE SFA), OR TO ANY PERSON ARISING FROM AN OFFER REFERRED TO IN SECTION 275(1A) OR SECTION 276(4)(I)(B) OF THE SFA; (2) WHERE NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER; (3) WHERE THE TRANSFER IS BY OPERATION OF LAW; (4) AS SPECIFIED IN SECTION 276(7) OF THE SFA; OR (5) AS SPECIFIED IN REGULATION 32 OF THE SECURITIES AND FUTURES (OFFERS OF INVESTMENTS) (SHARES AND DEBENTURES) REGULATIONS 2005 OF SINGAPORE.

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SUMMARY

This Summary is provided for the convenience of potential investors and is expressly qualified by the entire Official Statement, which should be reviewed in its entirety by potential investors.

Issuer: Texas Water Development Board (the "**Board**")

Issue: Texas Water Development Board State Water Implementation Revenue Fund for Texas Revenue Bonds, Series 2019A (Master Trust) (the "**Series 2019A Bonds**") and Texas Water Development Board State Water Implementation Revenue Fund for Texas Revenue Bonds, Taxable Series 2019B (Master Trust) (the "**Taxable Series 2019B Bonds**"). Collectively the Series 2019A Bonds and the Taxable Series 2019B Bonds are referred to herein as the "**Series 2019 Bonds**".

Interest Accrual: Date of Delivery

Interest Payment Dates: April 15 and October 15, commencing April 15, 2020.

Principal Due: As detailed on the inside cover pages of this Official Statement.

Redemption: ***Optional Redemption***. The Series 2019 Bonds of either series or portions thereof maturing on and after _____ 15, 20__, may be called for optional redemption and payment prior to maturity on _____15, 20__, and on any date thereafter, in whole or in part at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the redemption date.

Mandatory Sinking Fund Redemption. The Series 2019 Bonds of either series scheduled to mature on _____ 15 in the years ____, ____ and ____ (the "**Term Bonds**") are subject to scheduled mandatory redemption by the Paying Agent/Registrar by lot, or by any other customary method that results in a random selection, at a price equal to the principal amount thereof, plus accrued interest to the redemption date, out of moneys available for such purpose in the interest and sinking fund for the Series 2019 Bonds of the applicable series, on the dates and in the respective principal amounts, set forth herein.

See "THE SERIES 2019 BONDS – Redemption"

Authorization: On November 5, 2013, Texas voters approved adding Sections 49-d-12 and 49-d-13 to Article III of the Texas Constitution creating the State Water Implementation Fund for Texas ("**SWIFT**") and the State Water Implementation Revenue Fund for Texas ("**SWIRFT**"), respectively. Both SWIFT and SWIRFT are constitutionally dedicated funds in the State Treasury outside the general revenue fund of the State created for the purpose of implementing the State Water Plan, as defined herein. Both SWIFT and SWIRFT are administered by, or on behalf of, the Board, or its successor, for the purpose of implementing the State Water Plan. The Series 2019 Bonds are to be issued pursuant to the terms of a Master Trust Indenture, dated as of October 1, 2015, between the Board and The Bank of New York Mellon Trust Company, National Association (the "**Master Indenture**") a Bond Indenture, dated as of October 1, 2019, between the Board and The Bank of

New York Mellon Trust Company, National Association, with respect to the Series 2019A Bonds (the "**2019A Bond Indenture**") and a Bond Indenture, dated as of October 1, 2019, between the Board and The Bank of New York Mellon Trust Company, National Association, with respect to the Taxable Series 2019B Bonds (the "**2019B Bond Indenture**," and together with the 2019A Bond Indenture, the "**Bond Indentures**"). The Master Indenture and the Bond Indentures are collectively referred to herein as the "**Indentures**". In its capacity as trustee under the Master Indenture, The Bank of New York Mellon Trust Company, National Association is referred to herein as the "**Master Trustee**," and in its capacity as trustee under each Bond Indenture, The Bank of New York Mellon Trust Company, National Association is referred to herein as a "**Bond Indenture Trustee**". See "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS – Master Trust Indenture**," "**-Bond Indentures - 2019A Bond Indenture**" and "**-Bond Indentures - 2019B Bond Indenture**".

The funds held in SWIFT are kept and held by the Texas Treasury Safekeeping Trust Company (the "**TTSTC**") in the name of the Board. The Board and TTSTC may enter into bond enhancement agreements to provide a source of revenue or security for the payment of bonds issued by the Board in support of the State Water Plan, including bonds issued, the proceeds of which are deposited to the credit of SWIRFT. The SWIFT Funds Transfer Agreement (the "**SWIFT Funds Transfer Agreement**") executed in connection with the issuance of the Series 2019 Bonds constitutes such a bond enhancement agreement under state law. Pursuant to Subchapter G (as defined herein) the Board may elect no more than two transfers of funds from SWIFT in each fiscal year of the State, which commences on September 1 of a calendar year and ends on the succeeding August 31. To that end, on _____, 2019 the Board and TTSTC entered into the SWIFT Funds Transfer Agreement, pursuant to which not to exceed $_____ in funds from SWIFT will be transferred on or before the Date of Delivery to the Master Trustee for immediate transfer to the Bond Indenture Trustee for deposit under the respective Bond Indentures. See "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS – SWIFT Funds Transfer Agreement**". Moneys to be transferred under the terms of the SWIFT Funds Transfer Agreement will be the first transfer of moneys from SWIFT effected in the State's fiscal year ending August 31, 2020.

Security: The Series 2019A Bonds are special, limited obligations of the Board equally and ratably secured by and payable solely from a lien on the Security pursuant to the 2019A Bond Indenture (the "**Security for the Series 2019A Bonds**") including, but not limited to: (i) all Revenues held under the 2019A Bond Indenture; (ii) all amounts held in the funds and accounts established under the 2019A Bond Indenture (other than the Rebate Fund and the Costs of Issuance Account), and (iii) all of the proceeds of the foregoing including, without limitation, investments thereof. **The Security for the Series 2019A Bonds held under the 2019A Bond Indenture does not secure the Taxable Series 2019B Bonds. SWIFT does not constitute the Security for the Series 2019A Bonds.**

The Taxable Series 2019B Bonds are special, limited obligations of the Board equally and ratably secured by and payable solely from a lien on the Security pursuant to the 2019B Bond Indenture (the "**Security for the Taxable Series 2019B Bonds**") including, but not limited to: (i) all Revenues held under the 2019B Bond Indenture; (ii) all amounts held in the funds and accounts established under the 2019B Bond Indenture (other than the Costs of Issuance Account), and (iii) all of the proceeds of the foregoing including, without limitation, investments thereof. **The Security for the Taxable Series 2019B Bonds held under the 2019B Bond Indenture does not secure the Series 2019A Bonds. SWIFT does not constitute the Security for the Taxable Series 2019B Bonds.**

Moneys received by the Master Trustee from a Bond Indenture Trustee also may provide an additional source of security for the Series 2019 Bonds of either series.

Credit Rating: The Series 2019 Bonds of each series received a rating of "___" from Fitch Ratings, and "___" from S&P Global Ratings, a division of S&P Global, Inc. See "**RATINGS**" herein.

Program: The Series 2019 Bonds will be the seventh and eighth series of Master Trust Bonds (defined herein) issued pursuant to the Master Indenture to provide funds for SWIRFT. The Board intends to use the proceeds of the Series 2019 Bonds to provide financial assistance to Political Subdivisions by offering subsidized financing and/or repayment deferral to Political Subdivisions. See "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS**" herein.

Purpose: The Series 2019 Bonds of each series are being issued (i) to provide funds to provide financial assistance through the purchase of or entering into Political Subdivision Obligations the proceeds of which will be used to finance State Water Plan projects, and (ii) to pay the costs of issuance of the Series 2019 Bonds of such series. See "**PLAN OF FINANCE**" herein.

Tax Matters: In the opinion of Bond Counsel, in reliance on and assuming the accuracy of and continuing compliance by the Board with its representations and covenants relating to certain requirements of the Internal Revenue Code of 1986, as amended (the "**Code**"), under existing law, interest on the Series 2019A Bonds is not included in gross income for federal income tax. See "**TAX MATTERS – Tax-Exempt Bonds**" herein.

Interest on the Taxable Series 2019B Bonds will be included in gross income for federal income tax purposes. See "**TAX MATTERS – Taxable Bonds**" herein.

Master Trustee: The Bank of New York Mellon Trust Company, National Association, Houston, Texas.

Bond Indenture Trustee and Paying Agent: The Bank of New York Mellon Trust Company, National Association, Houston, Texas.

Book-Entry Form: The Series 2019 Bonds will be registered in the name of Cede & Co. as nominee for The Depository Trust Company ("**DTC**"), New York, New York. DTC will act as Securities Depository of the Series 2019 Bonds. See "***APPENDIX E* – Description of Book-Entry-Only System and Global Clearance Procedures**" herein.

Questions regarding this Official Statement may be directed to Georgia Sanchez, Director, Debt and Portfolio Management and Development Fund Manager, Texas Water Development Board, 1700 North Congress, Austin, Texas 78701; Telephone: (512) 475-4584; Electronic mail: georgia.sanchez@twdb.texas.gov.

Official Statement

$_____*
TEXAS WATER DEVELOPMENT BOARD

$_____*	**$_____***
STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS REVENUE BONDS, SERIES 2019A (MASTER TRUST)	**STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS REVENUE BONDS, TAXABLE SERIES 2019B (MASTER TRUST)**

INTRODUCTION

General

This Official Statement, including the cover page, and the appendices hereto, sets forth certain information describing the Texas Water Development Board (the "**Board**"), certain of the Board's programs, including the State Water Implementation Fund for Texas ("**SWIFT**"), the State Water Implementation Revenue Fund for Texas ("**SWIRFT**"), and the proposed issuance by the Board of its Texas Water Development Board State Water Implementation Revenue Fund for Texas Revenue Bonds, Series 2019A (Master Trust) (the "**Series 2019A Bonds**") and of its Texas Water Development Board State Water Implementation Revenue Fund for Texas Revenue Bonds, Taxable Series 2019B(Master Trust) (the "**Taxable Series 2019B Bonds**" and, together with the Series 2019A Bonds, the "**Series 2019 Bonds**"). The Series 2019 Bonds are being issued pursuant to a Master Indenture, dated as of October 1, 2015, between the Board and The Bank of New York Mellon Trust Company, National Association (the "**Master Indenture**"), a Bond Indenture between the Board and The Bank of New York Mellon Trust Company, National Association (the "**2019A Bond Trustee**"), dated as October 1, 2019, with respect to the issuance of the Series 2019A Bonds (the "**2019A Bond Indenture**") and a Bond Indenture between the Board and The Bank of New York Mellon Trust Company, National Association (the "**2019B Bond Trustee**" and, together with the 2019A Bond Trustee, the "**Bond Indenture Trustee**"), dated as October 1, 2019, with respect to the issuance of the Taxable Series 2019B Bonds (the "**2019B Bond Indenture**" and, together with the 2019A Bond Indenture, the "**Bond Indentures**"), and the terms of a bond purchase agreement pertaining to the sale of the Series 2019 Bonds (the "**Bond Purchase Agreement**"). The Master Indenture, the Bond Indentures, the authority to execute the Bond Purchase Agreement and the hereinafter defined SWIFT Funds Transfer Agreement, were authorized and approved by a resolution adopted by the Board on July 22, 2019 (the "**Resolution**"). Pursuant to authority conferred by the Resolution, by execution of the Bond Purchase Agreement, an Authorized Representative of the Board is authorized to act on behalf of the Board in selling and delivering the Series 2019 Bonds. The Master Indenture and the Bond Indentures are sometimes hereinafter collectively referred to as the "**Indentures**". The Master Indenture governs the revenue bond program and the issuance of "**Master Trust Bonds**". The Series 2019 Bonds will be the seventh and eighth series of Master Trust Bonds issued pursuant to the Master Indenture. Terms used but not defined herein have the same meaning assigned to such terms in "***APPENDIX B* – DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE BOND INDENTURES**".

The Board

The Board, an agency of the State, is responsible for collecting and disseminating water-related data, assisting with regional planning and preparing the State Water Plan for the development of the State's water resources. The Board administers financial assistance programs for the construction of water supply, wastewater treatment, flood control, and agricultural water conservation projects.

* Preliminary, subject to change

The Board is authorized to issue general obligation bonds and revenue bonds to provide financial assistance in connection with the funding of State Water Plan projects and receive transfers from SWIFT in support thereof. See "**STATE WATER IMPLEMENTATION FUND FOR TEXAS PROGRAM**" and "***APPENDIX C* – INFORMATION REGARDING THE TEXAS WATER DEVELOPMENT BOARD**" herein.

SWIFT/SWIRFT

SWIFT and SWIRFT are constitutionally dedicated funds in the State Treasury, outside the general revenue fund of the State. SWIFT was established for the purpose of implementing a program to provide financial assistance for projects included in the State Water Plan. **Moneys on deposit in SWIFT are not pledged in support of bonds issued by the Board, including specifically the Series 2019 Bonds.** Moneys in SWIFT are made available to the Board from time to time through bond enhancement agreements, including the SWIFT Funds Transfer Agreement. SWIRFT will be used to provide financing for projects included in the State Water Plan. The Board intends to use proceeds from SWIRFT revenue bonds to provide financial assistance to Political Subdivisions. The provisions of Subchapter G of Chapter 15 of the Texas Water Code, as amended ("**Subchapter G**"), govern the operation and use of SWIFT. The provisions of Subchapter H of Chapter 15 of the Texas Water Code, as amended ("**Subchapter H**"), govern SWIRFT and the issuance of revenue bonds in support of SWIRFT.

In addition to the SWIFT Funds Transfer Agreement, the Board may, but is not legally required to, seek a transfer of funds from SWIFT to SWIRFT in support of SWIRFT through the execution of a bond enhancement agreement with the Texas Treasury Safekeeping Trust Company (the "**TTSTC**"). The Board may direct, at its sole discretion, additional transfers from SWIFT to provide a source of revenue or security for outstanding bonds that were supported by a transfer from SWIFT, including the Series 2019 Bonds, but the Board is under no obligation to direct such a transfer, and no assurance is given that the Board will direct additional transfers from SWIFT for such purpose. If the Board were to elect to proceed with an additional transfer, then additional State administrative approvals (including discretionary approvals) will be sought and there is no assurance that such approval will be obtained. Pursuant to Subchapter G, the Board may effect no more than two transfers of funds from SWIFT in each fiscal year of the State, which commences on September 1 of a calendar year and ends on the succeeding August 31. The SWIFT Funds Transfer Agreement is a bond enhancement agreement under Subchapter G. See "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS – SWIFT Funds Transfer Agreement**" herein and "**STATE WATER IMPLEMENTATION FUND FOR TEXAS PROGRAM**".

Series 2019 Bonds

The Series 2019 Bonds are issued pursuant to the Master Indenture, the 2019A Bond Indenture (with respect to the Series 2019A Bonds), the 2019B Bond Indenture (with respect to the Taxable Series 2019B Bonds) and the laws of the State of Texas, including Subchapter H. Bonds issued pursuant to the terms of the Master Indenture are referred to herein as the "Master Trust Bonds". The Series 2019 Bonds are the seventh and eighth series of Master Trust Bonds issued by the Board. See "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS – Master Trust Indenture**" for a description of the authority to issue Master Trust Bonds in accordance with the terms of the Master Indenture.

Security for the Series 2019A Bonds.

The Series 2019A Bonds and the interest and any redemption premium, if any, thereon are special, limited obligations of the Board equally and ratably secured by and payable solely from a lien on the security granted pursuant to the 2019A Bond Indenture (the "**Security for the Series 2019A Bonds**") including, but not limited to: (i) all Revenues held under the 2019A Bond Indenture; (ii) all amounts held

in the funds and accounts established under the 2019A Bond Indenture (other than the Rebate Fund and the Costs of Issuance Account); and (iii) all of the proceeds of the foregoing including, without limitation, investments thereof. Security for the Series 2019A Bonds includes amounts deposited to the credit of the Assistance Account within SWIRFT held by the 2019A Bond Trustee from moneys received by the Board under the terms of the SWIFT Funds Transfer Agreement. **Moneys on deposit to the credit of SWIFT do not provide Security for the Series 2019A Bonds.** See "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS**" herein.

"Revenues," with respect to the Series 2019A Bonds, includes all Repayments paid over to or for the account of the Board, and other payments made to or for the account of the Board by the Political Subdivisions and the Political Subdivision Obligations held under the 2019A Bond Indenture.

The Series 2019A Bonds and the redemption premium, if any, and interest thereon shall not now and shall never constitute an indebtedness or an obligation, general or moral, or a pledge of the faith or loan of credit of the Board or the State, within the purview of any constitutional limitation or provision, and shall never constitute or give rise to a charge against the faith and credit or taxing powers, if any, of the Board or the State, but shall be special, limited obligations of the Board, payable solely from the trust estate established under the 2019A Bond Indenture and the Master Trust Indenture, the proceeds from the sale of the Series 2019A Bonds and the income from the temporary investment thereof. The Board has no taxing powers.

Security for the Taxable Series 2019B Bonds.

The Taxable Series 2019B Bonds and the redemption premium, if any, and interest thereon are special, limited obligations of the Board equally and ratably secured by and payable solely from a lien on the security granted pursuant to the 2019B Bond Indenture (the "**Security for the Taxable Series 2019B Bonds**") including, but not limited to: (i) all Revenues held under the terms of the 2019B Bond Indenture; (ii) all amounts held in the funds and accounts established under the 2019B Bond Indenture (other than the Costs of Issuance Account); and (iii) all of the proceeds of the foregoing including, without limitation, investments thereof. Security for the Taxable Series 2019B Bonds includes amounts deposited to the credit of the Assistance Account within SWIRFT held by the 2019B Bond Trustee from moneys received by the Board under the terms of the SWIFT Funds Transfer Agreement. **Moneys on deposit to the credit of SWIFT do not provide Security for the Taxable Series 2019B Bonds.** See "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS**" herein.

"Revenues," with respect to the Taxable Series 2019B Bonds, includes all Repayments paid over to or for the account of the Board and any other payments made to or for the account of the Board by the Political Subdivisions and the Political Subdivision Obligations held under the 2019B Bond Indenture.

The Taxable Series 2019B Bonds and the redemption premium, if any, and interest thereon shall not now and shall never constitute an indebtedness or an obligation, general or moral, or a pledge of the faith or loan of credit of the Board or the State, within the purview of any constitutional limitation or provision, and shall never constitute or give rise to a charge against the faith and credit or taxing powers, if any, of the Board or the State, but shall be special, limited obligations of the Board, payable solely from the trust estate established under the 2019B Bond Indenture and the Master Trust Indenture, the proceeds from the sale of the Taxable Series 2019B Bonds and the income from the temporary investment thereof. The Board has no taxing powers.

Series 2019A Bonds and Taxable Series 2019B Bonds Not on Parity.

The Series 2019A Bonds and the Taxable Series 2019B Bonds are **not** parity bonds. The Security for the Series 2019A Bonds held under the 2019A Bond Indenture does **not** secure the Taxable Series 2019B Bonds. The Security for the Taxable Series 2019B Bonds held under the 2019B Bond Indenture does **not** secure the Series 2019A Bonds. The moneys transferred for the Series 2019A Bonds pursuant to the SWIFT Funds Transfer Agreement are **not** a part of the Security for the Taxable Series 2019BBonds, and the moneys transferred for the Taxable Series 2019B Bonds pursuant to the SWIFT Funds Transfer Agreement are **not** part of the Security for the Series 2019A Bonds. See "***APPENDIX A-1*, SUMMARY OF POLITICAL SUBDIVISION OBLIGATIONS EXPECTED TO BE FUNDED BY SERIES 2019A BONDS AND BY TAXABLE SERIES 2019B BONDS**".

Political Subdivision Obligations

Each bond, note, agreement or other evidence of indebtedness purchased from or entered into by the Board with a Political Subdivision, evidencing the obligation of the Political Subdivision to the obligation made or incurred pursuant thereto constitutes a "**Political Subdivision Obligation**". Prior to purchasing or entering into Political Subdivision Obligations, the Executive Administrator's staff will review contracts relating to any State Water Plan project. Additionally, the Board may not purchase or enter into any Political Subdivision Obligations that have low interest or deferred payment structures unless the Political Subdivision Obligations have been approved for legality by the Attorney General of the State. In addition, the Board will also receive an approving opinion from a nationally recognized bond counsel regarding the legality of the Political Subdivision Obligation under state law and, if applicable, providing that the interest on the Political Subdivision Obligation is exempt from federal income taxation. The Attorney General of the State has advised the Board that it has legal authority to enter into financing agreements with authorized Political Subdivisions where the Board Participation structure is used to effect the financing to be provided to the Political Subdivision. See "**STATE WATER IMPLEMENTATION FUND FOR TEXAS PROGRAM – Political Subdivision Obligations - Board Participation Obligations**". Upon approval by the Attorney General of the State, registration of the Political Subdivision Obligations by the Comptroller of Public Accounts of the State and delivery to the Board, the Political Subdivision Obligations issued by the Political Subdivisions will be valid, binding and incontestable against a statutory challenge, as provided by the Texas Water Code.

Other Information

Certain information regarding the Political Subdivision Obligations expected to be purchased with the proceeds of the Series 2019 Bonds is listed in *Appendix A-1*. Certain information on entities expected to be Significant Borrowers as hereinafter defined (see "**CONTINUING DISCLOSURE OF INFORMATION – Continuing Disclosure Undertaking of Significant Borrowers**") is attached hereto as *Appendix A-2*. A summary of certain provisions of the Master Indenture and the Bond Indentures is attached hereto as *Appendix B*. A description of the Board and its programs is attached hereto as *Appendix C*. The proposed forms of the opinions of Bond Counsel is attached hereto as *Appendix D*. A description of DTC and its Book-Entry-Only System and global clearance procedures is attached hereto as *Appendix E*. The descriptions, summaries and excerpts herein of the Master Indenture and Bond Indentures are qualified in their entirety by reference to such documents and are further qualified by reference to laws relating to or affecting generally the enforcement of creditors' rights and principles of equity. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS

The Series 2019A Bonds are special, limited obligations of the Board equally and ratably secured by and payable solely from a lien on the Security for the Series 2019A Bonds, including, but not limited to: (i) all Revenues held under the terms of the 2019A Bond Indenture; (ii) all amounts held in the funds and accounts established under the 2019A Bond Indenture (other than the Rebate Fund and the Costs of Issuance Account); and (iii) all of the proceeds of the foregoing including, without limitation, investments thereof. In addition, the Series 2019A Bonds are secured by amounts that become available under the Master Indenture.

The Taxable Series 2019B Bonds are special, limited obligations of the Board equally and ratably secured by and payable solely from a lien on the Security for the Taxable Series 2019B Bonds, including, but not limited to: (i) all Revenues held under the terms of the 2019B Bond Indenture; (ii) all amounts held in the funds and accounts established under the 2019B Bond Indenture (other than the Costs of Issuance Account); and (iii) all of the proceeds of the foregoing including, without limitation, investments thereof. In addition, the Taxable Series 2019B Bonds are secured by amounts that become available under the Master Indenture.

The Series 2019A Bonds and the Taxable Series 2019B Bonds are **not** parity bonds. The Security for the Series 2019A Bonds held under the 2019A Bond Indenture does **not** secure the Taxable Series 2019B Bonds. The Security for the Taxable Series 2019B Bonds held under the 2019B Bond Indenture does **not** secure the Series 2019A Bonds.

Moneys on deposit to the credit of SWIFT DO NOT provide security for the Series 2019 Bonds.

THE SERIES 2019 BONDS DO NOT CONSTITUTE GENERAL OBLIGATIONS OF THE BOARD OR THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. ISSUANCE OF THE SERIES 2019 BONDS DOES NOT, DIRECTLY, INDIRECTLY OR CONTINGENTLY, OBLIGATE THE STATE OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF TO LEVY ANY FORM OF TAXATION THEREFOR OR MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE BOARD HAS NO TAXING POWER.

Master Trust Indenture

The Master Indenture authorizes a comprehensive program to accommodate the issuance or incurrence of obligations created under the Master Indenture. The Series 2019 Bonds are the seventh and eighth series of Master Trust Bonds to be secured by the Master Indenture. See "***APPENDIX B – DEFINITIONS AND*** **SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE BOND INDENTURES**". The Master Indenture provides security for revenue bonds issued by the Board pursuant to Subchapter H.

The trust estate established under the Master Indenture consists of (a) moneys transferred to the Master Trustee by each bond indenture trustee (including the Bond Indenture Trustee), and (b) all cash, moneys, securities and investments other than any moneys, securities and investments deposited in the Rebate Fund established under a bond trust indenture (including the respective Bond Indentures), paid to or held by the Master Trustee in the funds and accounts created under the Master Indenture.

The Master Trustee will promptly deposit to the credit of the Program Account (a) all moneys released by a Bond Indenture Trustee with respect to a Series of Bonds (or portion thereof) and (b) any other lawfully available moneys directed by the Board to be deposited to the credit of the Program Account.

Moneys in the Program Account may be used by the Master Trustee to pay reasonable expenses, charges and other disbursements of the Master Trustee incurred in connection with administering the trusts established by the Master Indenture. If no later than 40 days prior to any Payment Date, it is anticipated there will not be available moneys sufficient to pay the principal of and interest on the Series 2019 Bonds of either series then due, the Bond Indenture Trustee shall immediately give notice to the Board and the Master Trustee of such anticipated deficiency. Upon a certification from a bond trustee (including the Bond Indenture Trustee) of a deficiency in funds available to pay scheduled debt service on Master Trust Bonds (including either series of the Series 2019 Bonds), the Master Trustee will transfer to the bond trustee the amount certified to by the bond trustee to be necessary to timely make the debt service payment due on such Master Trust Bonds. If more than one bond trustee has certified to the Master Trustee that there are insufficient funds available to make a scheduled debt service payment, the Master Trustee shall transfer moneys to the bond trustee *pro rata* based on the amount of the respective deficiencies among such Master Trust Bonds. There is no assurance that money will be available in the Program Account to cure a deficiency.

In order for a series of Master Trust Bonds to be secured by the Master Indenture, the Board will execute a Series Certificate stating that a Series of Master Trust Bonds is entitled to the benefits of the Master Indenture upon satisfaction of the following conditions: (i) the principal amount of the Master Trust Bonds being issued and any other Master Trust Bonds then Outstanding shall not exceed in the aggregate principal amount of any limitation imposed by law, and (ii) an Officer's Certificate shall have been delivered to the Trustee to the effect that projected cash flow reports prepared by or on behalf of the Board attached to such Officer's Certificate evidence the sufficiency of the available revenues under (a) the bond indentures relating to all outstanding Master Trust Bonds and (b) the bond indenture relating to the Master Trust Bonds then to be issued (taking into account the amounts transferred or to be transferred to the Transfer Account pursuant to the SWIFT Funds Transfer Agreement and then immediately to be transferred to the bond indenture trustee relating to such Master Trust Bonds) to pay not less than 1.00 times the principal and interest payments coming due on (x) all Master Trust Bonds then outstanding and (y) the Master Trust Bonds then to be issued on each payment date with respect to the Master Trust Bonds until maturity.

The pledge effected by the Master Indenture shall be a continuing, irrevocable and exclusive first lien on the trust estate created under the Master Indenture. After payment in full of the principal of, redemption premium, if any, and interest on the Master Trust Bonds secured by the Master Indenture, and the payment of all fees and expenses payable to the Bond Indenture Trustee under the terms of any bond trust indenture, the lien on the trust estate created under the Master Indenture shall be released and no longer be in effect. Any moneys held by the Master Trustee at such time may be transferred to the Comptroller of Public Accounts for deposit to the credit of SWIFT, as directed by the Board.

Should the Board determine that there is an available surplus balance, then in accordance with direction received from the Board in an Officer's Certificate, the Master Trustee shall transfer from the Program Account such amounts constituting Surplus Balance identified in the Officer's Certificate to the Comptroller of Public Accounts, with instructions that such surplus balance shall be deposited to the credit of SWIFT.

Bond Indentures

2019A Bond Indenture. The Security for the Series 2019A Bonds pledged under the 2019A Bond Indenture to the payment of the Series 2019A Bonds includes all Political Subdivision Obligations purchased by the Board with funds from the Project Financing Account of SWIRFT created under the 2019A Bond Indenture, all Political Subdivision Obligations to be purchased in the future with funds on deposit within the Project Financing Account of SWIRFT held by the 2019A Bond Trustee, the Political Subdivision Obligations held in the Portfolio Account for the Series 2019A Bonds, and the Repayments on

such Political Subdivision Obligations, moneys held in the Assistance Account for the Series 2019A Bonds, the source of which are moneys and investment earnings thereon received pursuant to the terms of the SWIFT Funds Transfer Agreement (hereinafter defined), any Investment Securities acquired by the Board and held in the Portfolio Account for the Series 2019A Bonds, as well as certain other revenues, receipts and funds held by the 2019A Bond Trustee as part of the Trust Estate for the Series 2019A Bonds. See "***APPENDIX B* - DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE BOND INDENTURES**".

In the 2019A Bond Indenture, among the conditions to the issuance and delivery of the Series 2019A Bonds is the certificate of sufficiency described in the fourth paragraph under "**MASTER TRUST INDENTURE**" above.

The following special accounts within SWIRFT have been created pursuant to the 2019A Bond Indenture and will be held by the 2019A Bond Trustee: (a) Assistance Account; (b) Project Financing Account; (c) Portfolio Account, and within the Portfolio Account a Portfolio Repayment Subaccount (the "**Portfolio Repayment Subaccount**") and a Prepayment Subaccount (the "**Prepayment Subaccount**"); (d) Revenue Account, and within the Revenue Account a Repayment Subaccount (the "**Repayment Subaccount**") and an Administrative Expenses Subaccount (the "**Administrative Expenses Subaccount**"); (e) Debt Service Account, consisting of a Principal and Interest Subaccount (a "**Principal and Interest Subaccount**") and a Redemption Subaccount (a "**Redemption Subaccount**"); (f) Surplus Revenue Account (the "**Surplus Revenue Account**"); and (g) Costs of Issuance Account (the "**Costs of Issuance Account**"). The 2019A Bond Trustee also shall establish and maintain the Rebate Fund for the sole benefit of the United States of America. The Rebate Fund does not constitute a fund or account within SWIRFT.

Pursuant to the 2019A Bond Indenture, on each Payment Date, the 2019A Bond Trustee shall transfer from the Assistance Account the amount scheduled to be transferred on such Payment Date to pay principal and interest due on the Series 2019A Bonds and deposit the same to the Principal and Interest Subaccount of the Debt Service Account.

Pursuant to the 2019A Bond Indenture, on each Payment Date, the 2019A Bond Trustee shall transfer Revenues in the order of priority as follows:

FIRST, from the Repayment Subaccount of the Revenue Account, amounts sufficient, together with other amounts on deposit in the Principal and Interest Subaccount of the Debt Service Account, to pay principal and interest due on the Series 2019A Bonds and deposit the same to the Principal and Interest Subaccount of the Debt Service Account.

SECOND, from the Administrative Expenses Subaccount of the Revenue Account, amounts sufficient to pay the fees and expenses described in the 2019A Bond Indenture.

Any moneys remaining in the Revenue Account and the subaccounts therein after making the transfers described above may be transferred to the Surplus Revenue Account upon the Board delivering an Officer's Certificate directing the transfer of funds from the Revenue Account to the Surplus Revenue Account. Transfers to the Surplus Revenue Account may be made on a Payment Date, after the transfers described in FIRST and SECOND above have been made.

If no later than 40 days prior to any Payment Date, it is determined there will not be available moneys sufficient to pay the principal of and interest on the Series 2019A Bonds then due as shown in the 2019A Bond Indenture, the 2019A Bond Trustee shall immediately give notice to the Board and the Master Trustee of such projected deficiency. The notice shall indicate the amounts required to make up for such anticipated deficiency and request (i) that the Board take such measures as permitted by the 2019A Bond

Indenture to cure the deficiency and (ii) if the Board is unable to take such measures as permitted by the 2019A Bond Indenture, that a transfer of moneys from the Program Account be effected. The 2019A Bond Trustee shall deposit moneys made available by the Board, or transferred by the Master Trustee from the Program Account, and designated for deposit in the Debt Service Account in accordance with such designation.

2019B Bond Indenture. The Security for the Taxable Series 2019B Bonds pledged under the 2019B Bond Indenture to the payment of the Taxable Series 2019B Bonds includes all Political Subdivision Obligations purchased by the Board with funds from the Project Financing Account of SWIRFT created under the 2019B Bond Indenture, all Political Subdivision Obligations to be purchased in the future with funds on deposit within the Project Financing Account of SWIRFT held by the 2019B Bond Trustee, the Political Subdivision Obligations held in the Portfolio Account for the Taxable Series 2019B Bonds, and the Repayments on such Political Subdivision Obligations, moneys held in the Assistance Account for the Taxable Series 2019B Bonds, the source of which are moneys and investment earnings thereon received pursuant to the terms of the SWIFT Funds Transfer Agreement, any Investment Securities acquired by the Board and held in the Portfolio Account for the Taxable Series 2019B Bonds, as well as certain other revenues, receipts and funds held by the 2019B Bond Trustee as part of the Trust Estate for the Taxable Series 2019B Bonds. See "***APPENDIX B* - DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE BOND INDENTURES**".

In the 2019B Bond Indenture, among the conditions to the issuance and delivery of the Taxable Series 2019B Bonds is the certificate of sufficiency described in the fourth paragraph under "**MASTER TRUST INDENTURE**" above.

The following special accounts within SWIRFT have been created pursuant to the 2019B Bond Indenture and will be held by the 2019B Bond Trustee: (a) Assistance Account; (b) Project Financing Account; (c) Portfolio Account, and within the Portfolio Account a Portfolio Repayment Subaccount (the "**Portfolio Repayment Subaccount**") and a Prepayment Subaccount (the "**Prepayment Subaccount**"); (d) Revenue Account, and within the Revenue Account a Repayment Subaccount (the " **Repayment Subaccount**") and an Administrative Expenses Subaccount (the "**Administrative Expenses Subaccount**"); (e) Debt Service Account, consisting of a Principal and Interest Subaccount (a "**Principal and Interest Subaccount**") and a Redemption Subaccount (a "**Redemption Subaccount**"); (f) Surplus Revenue Account (the "**Surplus Revenue Account**"); and (g) Costs of Issuance Account (the "**Costs of Issuance Account**").

Pursuant to the 2019B Bond Indenture, on each Payment Date, the 2019B Bond Trustee shall transfer from the Assistance Account the amount to be transferred on such Payment Date to pay principal and interest due on the Taxable Series 2019B Bonds and deposit the same to the Principal and Interest Subaccount of the Debt Service Account.

Pursuant to the 2019B Bond Indenture, on each Payment Date, the 2019B Bond Trustee shall transfer Revenues in the order of priority as follows:

FIRST, from the Repayment Subaccount of the Revenue Account amounts sufficient, together with other amounts on deposit in the Principal and Interest Subaccount of the Debt Service Account, to pay principal and interest due on the Taxable Series 2019B Bonds and deposit the same to the Principal and Interest Subaccount of the Debt Service Account.

SECOND, from the Administrative Expenses Subaccount of the Revenue Account, amounts sufficient to pay the fees and expenses described in the 2019B Bond Indenture.

Any moneys remaining in the Revenue Account and the subaccounts therein after making the transfers described above may be transferred to the Surplus Revenue Account upon the Board delivering an Officer's Certificate directing the transfer of funds from the Revenue Account to the Surplus Revenue Account. Transfers to the Surplus Revenue Account may be made on a Payment Date, after the transfers described in FIRST and SECOND above have been made.

If no later than 40 days prior to any Payment Date, it is determined there will not be available moneys sufficient to pay the principal of and interest on the Taxable Series 2019B Bonds then due as shown in the 2019B Bond Indenture, the 2019B Bond Trustee shall immediately give notice to the Board and the Master Trustee of such anticipated deficiency. The notice shall indicate the amounts required to make up for such projected deficiency and request (i) that the Board take such measures as permitted by the 2019B Bond Indenture to cure the deficiency and (ii) if the Board is unable to take such measures as permitted by the 2019B Bond Indenture, that a transfer of moneys from the Program Account be effected. The 2019B Bond Trustee shall deposit moneys made available by the Board, or transferred by the Master Trustee from the Program Account, and designated for deposit in the 2019B Debt Service Account in accordance with such designation.

SWIFT Funds Transfer Agreement

The Board has entered into the SWIFT Funds Transfer Agreement with the TTSTC. In accordance with the provisions of the Texas Water Code and the terms of the SWIFT Funds Transfer Agreement, the Board has requested that TTSTC disburse from SWIFT an amount not to exceed [$_____], to be transferred by the Board to the Master Trustee for deposit into the Transfer Account held by the Master Trustee in the manner described in the SWIFT Funds Transfer Agreement. These monies will be used to provide the necessary subsidies in support of the payment of the Political Subdivision Obligations. The SWIFT Funds Transfer Agreement will be the first transfer of moneys from SWIFT effected in the State's fiscal year ending August 31, 2020.

No later than four Business Days following the date the Bond Purchase Agreement is executed by the Board and the underwriters of the Series 2019 Bonds (the "**Execution Date**"), an executed Board Request will be delivered to TTSTC, stating (a) the amount of the disbursement to be transferred to the Master Trustee for deposit into the Transfer Account (which amount may not exceed the amount set forth in SWIFT Funds Transfer Agreement, and is defined herein as the "**Stated Amount**") and (b) the Date of Delivery. In no event will the Execution Date be within five Business Days of the Date of Delivery.

On or before, but no earlier than, five Business Days before the Date of Delivery, TTSTC shall transfer the Stated Amount, in immediately available funds, to the Master Trustee, acting for the benefit of the Board, for deposit into the Transfer Account. In making such transfer, TTSTC shall be entitled to rely on written instructions received from the Board directing the transfer and deposit of the Stated Amount.

On or before the Date of Delivery, [$_____*] will be transferred by the Master Trustee to the 2019A Bond Trustee for deposit to the credit of the Assistance Account established by the 2019A Bond Indenture. On or before the Date of Delivery, [$_____*] will be transferred by the Master Trustee to the 2019B Bond Trustee for deposit to the credit of the Assistance Account established by the 2019B Bond Indenture.

Moneys deposited to the credit of the respective Assistance Accounts shall be invested on the Delivery Date in Investment Securities as directed by the Board, in a manner (with respect to the Series 2019A Bonds) which would not adversely affect the treatment of the Series 2019A Bonds as obligations described in section 103 of the Code.

* Preliminary, subject to change.

Release, Substitution or Prepayment of Pledged Political Subdivision Obligations

Release of Political Subdivision Obligations. The Bond Indenture Trustee, upon the written direction of the Board, may release Political Subdivision Obligations from the lien of the respective Bond Indenture, upon the satisfaction of the following:

(i) the delivery to the Bond Indenture Trustee of an Officer's Certificate to the effect that (A) cash flow reports evidence the sufficiency of (1) available Revenues from the remaining Political Subdivision Obligations and interest earnings on investments for each Payment Date to pay not less than 1.0 times principal and interest coming due on the applicable series of Series 2019 Bonds on each such Payment Date until maturity, and (2) any and all available revenues for each Payment Date securing all outstanding Master Trust Bonds to pay not less than 1.0 times principal and interest coming due on all Master Trust Bonds on each such Payment Date (clauses (1) and (2) being herein referred to as the "**Coverage Requirement for the Series 2019 Bonds**") and (B) specifying the Political Subdivision Obligations to be released; and

(ii) the delivery to the Bond Indenture Trustee of an amendment to the schedule of Political Subdivision Obligations attached to the applicable Bond Indenture (which amendment does not require the consent of the owners of the applicable series of Series 2019 Bonds).

Substitution of Political Subdivision Obligations. The Bond Indenture Trustee, upon the written direction of the Board may release Political Subdivision Obligations and substitute one or more Political Subdivision Obligations upon the delivery to the Trustee of (a) the instruments described above in the applicable Bond Indenture, *provided*, that the substituted Political Subdivision Obligation shall be included in the calculation of the Coverage Requirement and (b) as a result of such substitution, the Coverage Requirement shall be not less than 1.0 times principal and interest coming due on the applicable series of the Series 2019 Bonds on each such Payment Date until maturity.

Amendment of Terms of Political Subdivision Obligations. The Board shall not consent to the amendment of the terms of a Political Subdivision Obligation unless the Board first delivers to the Bond Indenture Trustee an Officer's Certificate to the effect that the amendment will not cause the Coverage Requirement for the applicable series of Series 2019 Bonds not to be satisfied.

No Parity or Superior Obligations

The Board shall not issue or incur any bonds, notes, or other obligations payable from or secured by, in whole or in part, any or all of the Security for the Series 2019A Bonds prior to or on a parity with the pledge of the Security securing payment of the Series 2019A Bonds. The Board shall not issue or incur any bonds, notes, or other obligations payable from or secured by, in whole or in part, any or all of the Security for the Taxable Series 2019B Bonds prior to or on a parity with the pledge of the Security securing payment of the Taxable Series 2019B Bonds. The Series 2019A Bonds and the Taxable Series 2019B Bonds are **not** parity obligations.

The Series 2019 Bonds are Limited Obligations of the Board and are Payable Solely from Specific Sources

The Series 2019 Bonds are special, limited obligations of the Board and are payable only from the Security and funds and accounts specifically pledged to the Series 2019 Bonds. Accordingly, investors should consider only the sources of payment and security described under the subsection "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS**" in this Official Statement.

Flow of Funds

The table on the following page generally illustrates the flow of funds for each Series of bonds issued under a bond indenture in respect to funds transferred from SWIFT to SWIRFT and the use of bond proceeds, including proceeds from the issuance of each of the Series 2019A Bonds and the Taxable Series 2019B Bonds. The flow of funds for each subsequent series of Master Trust Bonds may vary from the flow of funds depicted in the following table.

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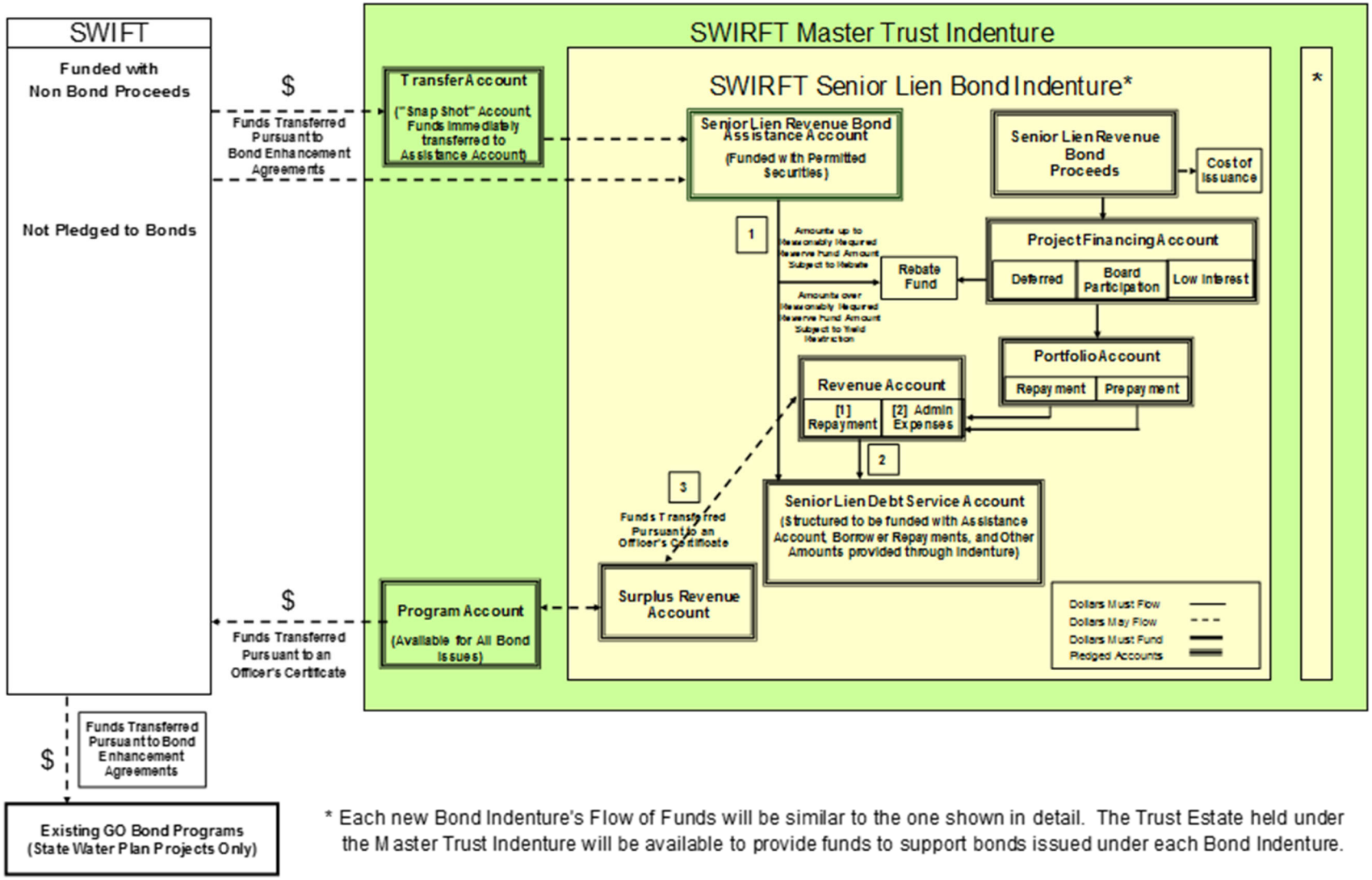

* Each new Bond Indenture's Flow of Funds will be similar to the one shown in detail. The Trust Estate held under the Master Trust Indenture will be available to provide funds to support bonds issued under each Bond Indenture.

PLAN OF FINANCE

Purpose

The Series 2019 Bonds of each series are being issued (i) to provide funds to provide financial assistance through the purchase of or entering into Political Subdivision Obligations, the proceeds of which will be used to finance State Water Plan projects, and (ii) to pay the costs of issuance of the Series 2019 Bonds of such series.

The Board received, evaluated, and considered applications from political subdivisions for State Water Plan Projects that intend to issue or incur Political Subdivision Obligations to be purchased by the Board. A list of the approved financial assistance applications and the amount of financial assistance is listed in "***APPENDIX A-1* – SUMMARY OF POLITICAL SUBDIVISION OBLIGATIONS EXPECTED TO BE FUNDED BY SERIES 2019A BONDS AND BY TAXABLE SERIES 2019B BONDS**". Each Political Subdivision is expected to issue its Political Subdivision Obligation and close on the purchase of it by the Board within 58 days after the Date of Delivery of the Series 2019 Bonds. Purchases of the Political Subdivision Obligations will be made by the Bond Indenture Trustee for each series of the Series 2019 Bonds at the direction of the Board from moneys on deposit in the applicable Project Financing Account established under the applicable Bond Indenture.

Sources and Uses

The proceeds from the sale of the Series 2019 Bonds plus other available funds of the Board are expected to be applied as set forth in the following table:

Sources of Funds	Series 2019A	Taxable Series 2019B	Total
Par Amount	$ -	$ -	$ -
Net Original Issue Premium/Discount			
Transfer to Assistance Account			
Total	$ -	$ -	$ -

Uses of Funds	Series 2019A	Taxable Series 2019B	Total
Deposit to Project Financing Account	$ -	$ -	$ -
Deposit to Assistance Account			
Deposit to Costs of Issuance Account			
Underwriters' Discount			
Total	$ -	$ -	$ -

THE SERIES 2019 BONDS

General

The Series 2019 Bonds are special, limited obligations of the Board and are issued pursuant to the Master Indenture, the applicable Bond Indenture and Subchapter H.

The Series 2019 Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiples thereof. Interest on the Series 2019 Bonds will accrue from the Date of Delivery to the Underwriters at the respective rates for each series shown on the inside cover pages of this Official Statement, calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Series 2019 Bonds will be payable semiannually commencing on April 15, 2020, and on each October 15 and April 15 thereafter (each an "**Interest Payment Date**"), until maturity or prior redemption. The Series 2019 Bonds will mature in the principal amounts and on the dates shown for each series on the inside cover pages of this Official Statement. The Series 2019 Bonds, when issued, will be registered in the name of Cede & Co., as nominee for DTC.

Payment

As long as the Series 2019 Bonds are held in the book-entry-only system, payment on the Series 2019 Bonds of each series will be made directly to DTC or its nominee, Cede & Co., by the applicable Bond Indenture Trustee, acting in its capacity as paying agent and registrar (the "**Paying Agent/Registrar**") for the Series 2019 Bonds of each series, in accordance with arrangements among the Board, the Paying Agent/Registrar and DTC. See "***APPENDIX E* — DESCRIPTION OF BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES**".

The principal and redemption price of the Series 2019 Bonds shall be payable, without exchange or collection charges, in lawful money of the United States of America, to the respective registered owners thereof upon presentation and surrender thereof at maturity or upon the date fixed for redemption prior to maturity at the office for payment of the Paying Agent/Registrar (the "**Designated Payment/Transfer Office**"). If the Series 2019 Bonds are not held in book-entry form, as described in *"**APPENDIX E** -* **DESCRIPTION OF BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES**," interest on the Series 2019 Bonds shall be payable by the Paying Agent/Registrar on each Interest Payment Date, in lawful money of the United States of America, by check or draft dated as of such Interest Payment Date, sent by United States mail, first-class postage prepaid, to the respective owners thereof, at the address of each such registered owner as it appears in the Register on the Record Date (hereinafter defined) preceding each such Interest Payment Date. Any accrued interest due upon the redemption of any Series 2019 Bond prior to maturity as provided in the Bond Indentures shall be payable to the registered owner thereof at the Designated Payment/Transfer Office, upon presentation and surrender thereof for redemption and payment at the Designated Payment/Transfer Office. As of the date of this Official Statement, the Designated Payment/Transfer Office of the Paying Agent/Registrar is its Austin, Texas, corporate trust office.

Redemption

Optional Redemption – Series 2019A Bonds. The Series 2019A Bonds maturing on and after _____ 15, 20__, are subject to redemption at the option of the Board, in whole or in part on any date on and after _____ 15, 20__ at the redemption price, of 100% of the principal amount thereof being redeemed, plus accrued interest thereon to the date fixed for redemption. Series 2019A Bonds to be redeemed pursuant to the optional redemption provisions above shall be selected from the maturities and in the principal amounts as shall be determined by the Board.

Mandatory Sinking Fund Redemption − Series 2019A Bonds. The Series 2019A Bonds scheduled to mature on _____ 15 in the years ____, ____ and ____ (the "**2019A Term Bonds**") are subject to scheduled mandatory redemption by the Paying Agent/Registrar by lot, or by any other customary method that results in a random selection, at a price equal to the principal amount thereof, plus accrued interest to the redemption date, out of moneys available for such purpose in the interest and sinking fund for the Series 2019A Bonds, on the dates and in the respective principal amounts, set forth in the following schedule:

2019A Term Bonds Maturity _____ 15, 20__		2019A Term Bonds Maturity _____ 15, 20__	
Mandatory Redemption Date	Principal Amount ($)	Mandatory Redemption Date	Principal Amount ($)

The principal amount of 2019A Term Bonds of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the Board, by the principal amount of any 2019A Term Bonds of the same maturity which, at least 45 days prior to a mandatory redemption date (1) shall have been acquired by the Board at a price not exceeding the principal amount of such 2019A Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Board at a price not exceeding the principal amount of such 2019A Term Bonds plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Optional Redemption – Taxable Series 2019B Bonds. The Taxable Series 2019B Bonds maturing on and after _____ 15, 20__, are subject to redemption at the option of the Board, in whole or in part on any date on and after _____ 15, 20__ at the redemption price, of 100% of the principal amount thereof being redeemed, plus accrued interest thereon to the date fixed for redemption. Taxable Series 2019B Bonds to be redeemed pursuant to the optional redemption provisions above shall be selected from the maturities and in the principal amounts as shall be determined by the Board.

Mandatory Sinking Fund Redemption – Taxable Series 2019B Bonds. The Taxable Series 2019B Bonds scheduled to mature on _____ 15 in the years ____, ____ and ____ (the "**2019B Term Bonds**") are subject to scheduled mandatory redemption by the Paying Agent/Registrar by lot, or by any other customary method that results in a random selection, at a price equal to the principal amount thereof, plus accrued interest to the redemption date, out of moneys available for such purpose in the interest and sinking fund for the Taxable Series 2019B Bonds, on the dates and in the respective principal amounts, set forth in the following schedule:

2019B Term Bonds Maturity _____ 15, 20__		2019B Term Bonds Maturity _____ 15, 20__	
Mandatory Redemption Date	Principal Amount ($)	Mandatory Redemption Date	Principal Amount ($)

The principal amount of 2019B Term Bonds of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the Board, by the principal amount of any 2019B Term Bonds of the same

maturity which, at least 45 days prior to a mandatory redemption date (1) shall have been acquired by the Board at a price not exceeding the principal amount of such 2019B Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Board at a price not exceeding the principal amount of such 2019B Term Bonds plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of Redemption. Unless waived by any owner of Series 2019 Bonds of each series to be redeemed, official notice of any redemption of Series 2019 Bonds shall be published at least thirty (30) days prior to the date fixed for any redemption of Series 2019 Bonds or portions thereof prior to maturity once in a financial publication, journal or reporter of general circulation among securities dealers in the City of New York, New York or in the State of Texas. Such notice of redemption shall also be given by the Paying Agent/Registrar on behalf of the Board by mailing a copy of an official redemption notice by first class mail, postage prepaid, at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to the owner of the Series 2019 Bond or Series 2019 Bonds to be redeemed at the address shown on the Bond Register; *provided, however,* that the failure to send, mail or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Series 2019 Bond, and it is hereby specifically provided that the publication of such notice as required above shall be the only notice actually required in connection with or as a prerequisite to the redemption of any Series 2019 Bonds or portions thereof. Should notice to call Series 2019 Bonds of either series for redemption at the option of the Board be given in the manner provided above, but the Board shall not be able to provide such applicable Bond Indenture Trustee with amounts sufficient to effect on the date fixed for redemption the payment of the entire redemption price of the Series 2019 Bonds so called for redemption, such Series 2019 Bonds shall not be redeemed on the date fixed for redemption, and the notice of redemption for such Series 2019 Bonds shall be null and void. In addition, any notice of optional redemption may be made conditional upon the receipt of moneys to effect such redemption. Notice of an optional redemption may be rescinded if sufficient moneys have not been deposited with the Bond Indenture Trustee.

The Paying Agent/Registrar shall also send notice of any redemption by United States mail, first-class postage prepaid, to DTC at the same time that it sends notice of redemption to Holders. So long as all Series 2019 Bonds are held under a book entry system by DTC, notice of redemption shall be sent by the Agent only to DTC or its nominee. Selection of book entry interests in the Series 2019 Bonds called for redemption, and notice of redemption to the owners of Series 2019 Bonds called for redemption, is the responsibility of DTC (or any successor securities depository) pursuant to its rules and procedures, and of its participants and indirect participants. Any failure of DTC (or any successor securities depository) to advise any participant, or of any participant or any indirect participant to notify the owner of a book-entry interest, of any such notice and its content or effect shall not affect the validity of any proceedings for the redemption of any Series 2019 Bonds.

Partial Redemption. If less than all of the Series 2019A Bonds of either series within a maturity are called for redemption, the Series 2019A Bonds of such series selected for redemption within such maturity shall be chosen by lot by the Paying Agent/Registrar (provided that a portion thereof may be redeemed only in an integral multiple of $5,000 principal amount). During any period in which ownership of the Series 2019A Bonds is determined only by a book-entry at a securities depository for the Series 2019A Bonds of either series, if less than all of the Series 2019A Bonds of either series within a maturity are called for redemption, the particular Series 2019A Bonds selected for redemption within such maturity shall be selected in accordance with the arrangements among the Board, the Paying Agent/Registrar and DTC. See "***APPENDIX E* —DESCRIPTION OF BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES**".

As long as the Taxable Series 2019B Bonds are registered in book-entry only form and so long as DTC, or a successor securities depository, is the sole registered owner of such Taxable Series 2019B Bonds and if less than all of the Taxable Series 2019B Bonds of a maturity are called for prior redemptions, the particular Taxable Series 2019B Bonds or portions thereof to be redeemed shall be selected on a "Pro Rata Pass-Through Distribution of Principal" basis in accordance with DTC procedures. However, so long as the Taxable Series 2019B Bonds are registered in book-entry form, the selection for redemption of such Taxable Series 2019B Bonds shall be made in accordance with the operational arrangements of DTC then in effect. It is the Board's intent that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the Board and the beneficial owners be made on a "Pro Rata Pass-Through Distribution of Principal" basis as described above. However, the Board can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocation redemptions among beneficial owners on such basis. If the DTC operational arrangements do not allow for the redemption for the Taxable Series 2019B Bonds on a Pro Rata Pass-Through Distribution of Principal basis as discussed above, then the Taxable Series 2019B Bonds will be selected for redemption in accordance with DTC procedures by lot. **The Board can provide no assurance that DTC, its participants or any other intermediaries, will allocate redemptions of the Taxable Series 2019B Bonds of a particular maturity among the beneficial owners on such a proportional basis.** If the Taxable Series 2019B Bonds are no longer registered to DTC or its nominee, any redemption of less than all of a maturity of the Taxable Series 2019B Bonds shall be effected by the Paying Agent/Registrar among owners on a pro-rata basis subject to minimum authorized denominations. The particular Taxable Series 2019B Bonds or portions thereof to be redeemed shall be determined by the Paying Agent/Registrar, using such method as it shall deem fair and appropriate.

Registration, Transfer and Exchange

The Bond Indenture Trustee for each series of the Series 2019 Bonds has been named to serve as initial Paying Agent/Registrar for the Series 2019 Bonds of each series. In each Bond Indenture, the Board retains the right to replace the Paying Agent/Registrar. If the Board replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the Board shall be a commercial bank or a trust company duly organized under the laws of the United States of America or any state or territory thereof, having a combined capital stock, surplus and undivided profits of at least $100,000,000, having trust powers and authorized by law to perform all the duties imposed upon it by such Bond Indenture.

In the event the Book-Entry-Only System is discontinued, printed certificates will be delivered to the owners of the Series 2019 Bonds and thereafter the Series 2019 Bonds may be transferred, registered and assigned on the registration books only upon presentation and surrender of such printed certificates 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 Series 2019 Bond may be assigned by the execution of an assignment form on the Series 2019 Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Series 2019 Bond or Series 2019 Bonds will be delivered by the Paying Agent/Registrar in lieu of the Series 2019 Bond being transferred or exchanged at the designated office of the Paying Agent/Registrar. New Series 2019 Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like kind and aggregate principal amount as the Series 2019 Bond or Series 2019 Bonds surrendered for exchange or transfer. See "***APPENDIX E* —DESCRIPTION OF BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES**" herein for a description of the system to be utilized initially in regard to the ownership and transferability of the Series 2019 Bonds.

The record date ("**Record Date**") for the interest payable on any interest payment date for the Series 2019 Bonds means the close of business on the last Business Day of the month next preceding such interest payment date.

Neither the Board nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Series 2019 Bond, or any portion thereof called for redemption prior to maturity prior to its redemption date, provided, however, such limitation on transferability shall not be applicable to an exchange by the owner of the uncalled balance of a Series 2019 Bond.

If any Series 2019 Bond is mutilated, destroyed, stolen or lost, a new Series 2019 Bond in the same principal amount and series as the Series 2019 Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Series 2019 Bond, such new Series 2019 Bond will be delivered only upon surrender and cancellation of such mutilated Series 2019 Bond. In the case of any Series 2019 Bond issued in lieu of and in substitution for a Series 2019 Bond which has been destroyed, stolen or lost, such new Series 2019 Bond will be delivered only (a) upon filing with the Board and the Paying Agent/Registrar of satisfactory evidence to the effect that such Series 2019 Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the Board and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Series 2019 Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

STATE WATER IMPLEMENTATION FUND FOR TEXAS PROGRAM

Introduction

To ensure the ongoing vitality of its economy, Texas' citizens, water experts, and government agencies collaborate in a comprehensive water planning process, in an effort to ensure that Texas will have enough water in the future to sustain its cities and rural communities and its economic development while also preserving the agricultural and natural resources that have defined Texas for generations. Texas also has one of the fastest growing populations in the country. In 1950, there were approximately 8 million Texas residents. In 2010, there were approximately 25 million Texas residents. By 2070, it is estimated that 51 million people are expected to live in the State, all of whom will need water to work and live.

Water user groups, those groups planned for in the State Water Plan that include providers, face a potential water shortage of 4.8 million acre-feet per year in 2020 and 8.9 million acre-feet per year in 2070 in drought of record conditions. Approximately 5,500 water management strategies recommended in the current State Water Plan would provide 3.4 million acre-feet per year in additional water supplies to water user groups in 2020 and 8.5 million acre-feet per year in 2070. The estimated capital cost to design, construct, and implement the approximately 2,500 recommended projects in 5,500 water management strategies by 2070 is $63 billion.

In 2013, the 83rd Regular Session of the Texas State Legislature (the "**Legislature**"), enacted enabling legislation to implement provisions relating to the proposed constitutional amendments that created SWIFT and SWIRFT. With the adoption of the two amendments as described below under "**STATE WATER IMPLEMENTATION FUND FOR TEXAS PROGRAM – Authorization of SWIFT and SWIRFT,**" the plan was implemented. The financial assistance program envisioned by the creation of SWIFT and SWIRFT and as further described below is referred to herein as the "**SWIFT Program**". Revenue bonds issued to support the State Water Implementation Fund for Texas Program, including the Series 2019 Bonds, are issued through SWIRFT.

Authorization of SWIFT and SWIRFT

On November 5, 2013, voters approved constitutional amendments adding two sections to Article III of the Constitution (Sections 49-d-12 and 49-d-13). Generally, Section 49-d-12 authorized the appropriation of $2 billion from the State's economic stabilization fund to create and fund SWIFT as a special fund in the state treasury outside the general revenue fund. Section 49-d-13 created SWIRFT as a special fund in the state treasury outside the general revenue fund.

Statutory and Regulatory Framework

Section 49-d-12 provides that money in SWIFT shall be administered, without further appropriation, by the Board for the purpose of implementing the State Water Plan. In addition, Section 49-d-12 authorizes the Legislature to authorize the Board to enter into bond enhancement agreements to provide a source of revenue or security for general obligation bonds or revenue bonds issued by the Board, the proceeds of which are used to finance State Water Plan projects, provided that the bond enhancement agreements do not exceed the capacity of SWIFT to fully support such agreements. Moneys to be made available under the terms of a bond enhancement agreement are contributed solely from SWIFT. Section 49-d-12 provides that the Legislature may authorize the Board to use SWIFT to finance, including by direct loan, water projects included in the State Water Plan. However, state law currently does not permit the use of moneys within SWIFT to be used to purchase or fund direct loans. Subchapter G of the Texas Water Code provides that the Board has legal title to the money and investments of SWIFT to be used without further appropriation for the sole purpose of implementing the State Water Plan. Responsibility for the management and investment of SWIFT is conferred on the TTSTC, which holds and invests SWIFT for and in the name of the Board.

In accordance with state law, $2 billion from the State's economic stabilization fund was appropriated and transferred to SWIFT. To date, approximately $617,766,865 has been transferred from SWIFT to respective Assistance Accounts held by the bond indenture trustees for the Outstanding Master Trust Bonds; see "STATE WATER IMPLEMENTATION FUND FOR TEXAS PROGRAM – Outstanding Master Trust Bonds". As of _____, 2019, the TTSTC has advised the Board that SWIFT has a balance of $_____. Moneys in SWIFT currently are invested by the TTSTC in a variety of investments, taking into account both the short-term and long-term needs for funds anticipated to be transferred from SWIFT. The goal of the SWIFT Program is to achieve funding of approximately $27 billion of water projects over 50 years from 2015. Subchapter G provides that the Board shall undertake to apply not less than 10 percent to support projects that are for rural political subdivisions or agricultural water conservation, and 20 percent to support projects, including agricultural irrigation projects that are designed for water conservation or reuse, in each five year period between the adoptions of a new State Water Plan.

The Board has adopted rules providing for the use of money received from SWIFT consistent with Subchapter G, including rules establishing standards for determining whether projects meet the criteria for rural political subdivision projects and water conservation or reuse projects, and specifying the manner for prioritizing projects included in the State Water Plan for the purpose of providing financial assistance under Subchapter G. The Board has also adopted policies and procedures for the purpose of mitigating or minimizing the adverse effects, if any, of federal laws and regulations relating to income taxes, arbitrage, rebates, and related matters.

At the direction of the Board, TTSTC shall make disbursements from SWIFT to another fund or account pursuant to a bond enhancement agreement in amounts the Board determines are needed for debt service payments on or security provisions of the Board's general obligation bonds or revenue bonds, after considering all other sources available for those purposes in the respective fund or account. Disbursements

may be made under a bond enhancement agreement to the Board for the support of bonds the proceeds of which are used to provide financial assistance in the form of a Political Subdivision Obligation bearing an interest rate of not less than 50 percent of the then-current rate of interest available to the Board; a loan to finance a facility with a term not to exceed the lesser of the expected useful life of the facility or thirty years; a deferral of loan repayments; incremental repurchase terms for an acquired facility; or a combination of the above-described methods.

To effect disbursements from SWIFT, the Board may direct TTSTC to enter into bond enhancement agreements to provide a source of revenue or security for the payment of the principal of and interest on general obligation bonds or revenue bonds issued by the Board to finance or refinance projects included in the State Water Plan if the proceeds of the sale of the bonds have been or will be deposited to the credit of: (1) SWIRFT; (2) the Rural Water Assistance Fund; (3) the State Participation Account; (4) the Agriculture Water Conservation Fund; or (5) the Water Infrastructure Fund (the latter four funds and accounts are administered by the Board). The SWIFT Funds Transfer Agreement executed in connection with the issuance of the Series 2019 Bonds constitutes such a bond enhancement agreement under state law. **SWIFT does not constitute Security for the Series 2019A Bonds or Security for the Taxable Series 2019B Bonds.**

Section 49-d-13 authorizes the Legislature to authorize the Board to issue bonds and enter into related credit agreements that are payable from revenues available to SWIRFT. Obligations issued or incurred pursuant to Section 49-d-13 are special obligations payable solely from amounts in SWIRFT. Moneys in SWIRFT consist of moneys transferred or deposited to the credit of SWIRFT by law; the proceeds of any fee or tax that may be imposed by the State in the future that by statute is dedicated for deposit to the credit of SWIRFT; any other revenue that the legislature by statute dedicates for deposit to SWIRFT; investment earnings on amounts credited to SWIRFT; bond proceeds, including proceeds from revenue bonds issued by the Board under Subchapter H, that are designated by the Board for the purpose of providing money for SWIRFT; repayments of Political Subdivision Obligations made from SWIRFT; money from the sale, transfer, or lease of a project acquired, constructed, reconstructed, developed, or enlarged with money from SWIRFT and money disbursed to SWIRFT from SWIFT.

The Board may use money in SWIRFT (i) as a source of revenue or security for the payment of the principal of and interest on revenue bonds issued by the Board under Subchapter H, other bonds issued by the Board if the proceeds of the Master Trust Bonds will be deposited in SWIRFT, (ii) to acquire Political Subdivision Obligations or other assets from another fund or account administered by the Board, or (iii) to pay necessary and reasonable costs incurred by the Board in administering the fund. Money deposited to the credit of SWIRFT must be invested as determined by the Board. Subchapter H also authorizes the Board to issue revenue bonds for the purpose of providing money for SWIRFT. Revenue bonds issued under Subchapter H are special obligations of the Board payable only from and secured by designated income and receipts of SWIRFT, and such bonds do not constitute indebtedness of the State.

Outstanding Master Trust Bonds

The Board has issued, and there are currently outstanding, six series of Master Trust Bonds: State of Texas Water Implementation Revenue Fund for Texas Revenue Bonds (collectively the "**Outstanding Master Trust Bonds")**, as identified in the table below. All of the proceeds of the Outstanding Master Trust Bonds available to acquire Political Subdivision Obligations have been expended and funded State Water Plan projects by providing financial assistance to Political Subdivisions.

Series	Original Par Amount	Outstanding Par Amount As of August 31, 2019	Transfer from SWIFT to Assistance Account at Closing*
Series 2015A	$ 798,450,000	$ 749,605,000	$ 106,382,704
Series 2015B	11,960,000	11,475,000	1,791,784
Series 2016	600,065,000	1,006,970,000	74,523,944
Series 2017A	1,046,970,000	589,565,000	130,659,112
Series 2017B	18,935,000	18,445,000	1,977,336
Series 2018A	832,065,000	812,065,000	88,953,346
Series 2018B	1,672,210,000	1,666,210,000	209,364,121
Series 2018C	35,590,000	35,590,000	4,114,517
Total	$ 5,016,245,000	$ 4,889,925,000	$ 617,766,865

Texas Water Development Board

The Board is an agency of the State and was created by constitutional amendment in 1957. Its mission is to provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for Texas. The Board is responsible for long-range water planning in the State. The Board is primarily responsible for the State's financial programs associated with the water industry. Between its inception and as of _____, 2019, the Board has committed to fund in excess of $[____] billion in financial assistance for the purposes described below.

The Board administers multiple financial programs to provide financial assistance to political subdivisions, including, non-profit water supply corporations, and in certain circumstances, investor-owned utilities, throughout Texas. Those programs include providing financial assistance through the issuance of general obligations bonds for all components of water supply, wastewater (sewage) conveyance and treatment, flood control projects, water projects that involve the conversion from a ground water supply source to a surface supply; providing financial assistance through the issuance of revenue bonds to facilitate the provision of wastewater treatment projects through the Clean Water State Revolving Fund; and for the provision of facilities for the treatment of drinking water through the Drinking Water State Revolving Fund. See "***APPENDIX C* – INFORMATION REGARDING THE TEXAS WATER DEVELOPMENT BOARD – Financial Assistance Programs**".

* Might not add due to rounding.

Advisory Committee

Subchapter G established the State Water Implementation Fund for Texas Advisory Committee (the "**SWIFT Advisory Committee**"), which consists of seven persons: the Comptroller, or a person designated by the Comptroller; three members of the senate appointed by the Lieutenant Governor, including a member of the committee of the senate having primary jurisdiction over matters relating to finance and a member of the committee of the senate having primary jurisdiction over matters relating to natural resources; and three members of the house of representatives appointed by the Speaker of the House, including a member of the committee of the house having primary jurisdiction over matters relating to appropriations and a member of the committee of the house having primary jurisdiction over matters relating to natural resources. The SWIFT Advisory Committee shall submit comments and recommendations to the Board regarding the use of money in SWIFT for use by the Board in adopting rules and policies and procedures.

State Water Plan

Pursuant to Subchapter C of Chapter 16 of the Texas Water Code, the Legislature directed the Board to prepare, develop, formulate, and adopt a comprehensive state water plan (the "**State Water Plan**") prior to January 2002. Thereafter, the Board has been responsible for preparing, developing, formulating and adopting a State Water Plan before the end of each successive five-year period after that date. The State Water Plan provides for and identifies projects in furtherance of the orderly development, management, and conservation of water resources and preparation for and response to drought conditions, in order that sufficient water will be available at a reasonable cost to ensure public health, safety and welfare, further economic development and protect the agricultural and natural resources of the entire State.

For purposes of developing the State Water Plan, the State is divided into 16 regional water planning areas. Each regional water planning group for each regional water planning area must prepare a regional water plan and submit the plan to the Board for approval by the Board, and for inclusion in the State Water Plan. The regional water planning groups shall submit their adopted regional water plans to the Board no later than January 5 of the year that is one year prior to the date the Board is required to adopt the State Water Plan for the ensuing five-year period.

On adoption of the State Water Plan, the Board is required to deliver the State Water Plan to the Governor, the Lieutenant Governor and the Speaker of the Texas House of Representatives, and present the adopted State Water Plan for review to the appropriate legislative committees in the Legislature.

The first State Water Plan was developed by the Board in 1961. See "STATE WATER IMPLEMENTATION FUND FOR TEXAS PROGRAM – State Water Plan" herein. The most current State Water Plan, the 10th State Water Plan developed by the Board, was adopted by the Board and became effective on May 19, 2016, as amended. The 2017 State Water Plan is available on the website of the Board at http://www.twdb.texas.gov/waterplanning/swp/2017/index.asp.

Application Process

Any political subdivision with a recommended water management strategy project with associated capital costs included in the most recently adopted State Water Plan can apply for assistance under the SWIFT Program.[1] Financing for planning, design and construction costs will be available with the multi-year commitment options, available for funding needs spanning several years.

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[1] The SWIFT Program includes two funds, SWIFT and SWIRFT. Revenue bonds for the Program are issued through SWIRFT.

On February 1, 2019, the application period for the fourth prioritization cycle of the SWIFT Program officially closed. The Board received abridged applications for State Water Plan projects totaling more than $2 billion. On April 23, 2019, the Board approved the prioritization of those projects and sent invitations to eligible political subdivisions to submit complete applications. The abridged applications were prioritized based on multiple statutory requirements, including size of the population served, diverse urban and rural populations, regionalization and meeting a high percentage of water users' needs, amount of financial contribution, financial capacity, ability to leverage with local and federal funding, emergency needs, and effect on water conservation. Select Political Subdivisions were invited to complete more thorough applications.

The complete 2019 SWIFT invited applications were submitted to the Board on or before _____, 2019. On July 22, 2019, the Board approved funding for State Water Plan projects, totaling $_____ in financial assistance. In conjunction with the approved projects and commitments from the first four prioritization cycles, the Board expects to acquire, enter into or amend Political Subdivision Obligations for the fall of 2019 funding in the amount of approximately $_____. All of the Political Subdivision Obligations expected to be funded by the Series 2019 Bonds constitute State Water Plan projects under the current State Water Plan. See "***APPENDIX A-1* – SUMMARY OF POLITICAL SUBDIVISION OBLIGATIONS EXPECTED TO BE FUNDED BY THE SERIES 2019A BONDS AND BY THE TAXABLE SERIES 2019B BONDS**".

The Board works with communities to develop projects from inception to procurement of funding and through construction completion. Six regional multi-disciplinary teams provide outreach and assistance to existing and potential customers, and build relationships with entities. The six multi-disciplinary teams assigned by geographic area are responsible for the processing of applications, closing on funding commitments, and the development monitoring progression of projects, including the approval of plans and specifications to ensure consistency with Board and state rules and regulations. The regional team serves as the single point of contact for customers in each region. This approach has provided customers with improved service by a dedicated team.

The regional teams are comprehensive and include the staff necessary to assist clients through the infrastructure funding and construction process. The teams consist of a manager, financial analyst, project reviewers, environmental reviewers, engineers, attorney, and administrative assistant.

The Board has significant flexibility in establishing the terms of the financial assistance made available under SWIRFT structure consistent with achievement of legislative and Board objectives.

Political Subdivision Obligations and Underwriting and Monitoring Process

Pursuant to the Texas Water Code, Political Subdivision Obligations purchased from or entered into by the Board with a Political Subdivision can be payable from a pledge of ad valorem taxes, water system net revenues, wastewater system net revenues, net revenues of a combined water and sewer system, contract revenues, or any combination of pledges of taxes, assessments and/or utility system(s) (including gas or electric) revenues. The Board expects to purchase some Political Subdivision Obligations the security of which has a lien on revenues subordinate to outstanding and future debt of the Political Subdivision. For Political Subdivision Obligations payable solely from revenues, including subordinate lien revenue pledges, the Board requires a reserve fund and a coverage test to be met for the issuance of any additional bonds. Political Subdivision Obligations payable from ad valorem taxes are subject to constitutional and statutory limitations relating to the nature of the pledge of ad valorem taxes the Political Subdivision may provide.

The Board also requires each Political Subdivision to maintain adequate insurance coverage on the project being constructed and to provide annual audited financial statements. The Board continually monitors its portfolio for delinquent accounts. If a payment is late, the Board implements its collection process. The Trustee has confirmed to the Board all Political Subdivision Obligations payments for the [October 15, 2019] payment have been received. The Board has not experienced late payments on Political

Subdivision Obligations issued or incurred in connection with SWIRFT structure. To date, there have been no payment defaults on the Political Subdivision Obligations financed by the Board through its administration of SWIFT Program.

On the other water assistance programs administered by the Board, the Board has had no late bond payments exceeding 37 days past the scheduled due date. Most late payments the Board has experienced in other programs it administers fall in the three to ten day range.

Prior to purchasing or entering into Political Subdivision Obligations, the Executive Administrator's staff of the Board will review contracts relating to any State Water Plan project. Additionally, the Board may not purchase or enter into any Political Subdivision Obligations that have low interest or deferred payment structures unless the Political Subdivision Obligations have been approved as to legality under State law by an approving opinion of the Attorney General of the State, the effect of which under State law is that the Political Subdivision Obligations are valid and incontestable in a court or other forum and are binding obligations for all purposes according to their terms. The Board will also receive an approving opinion from a bond counsel Political Subdivision Obligation under state law and, if applicable, providing that the interest on the Political Subdivision Obligation is exempt from federal income taxation. The Attorney General of the State has advised the Board that it has legal authority to enter into financing agreements with authorized Political Subdivisions where the Board Participation structure is used to effect the financing to be provided to the Political Subdivision. See "**STATE WATER IMPLEMENTATION FUND FOR TEXAS PROGRAM – Political Subdivision Obligations - Board Participation Obligations**". Upon approval by the Attorney General of the State, registration of the Political Subdivision Obligations by the Comptroller of Public Accounts of the State and delivery to the Board, the Political Subdivision Obligations issued by the Political Subdivisions will be valid, binding and incontestable against a statutory challenge, as provided by the Texas Water Code.

The Political Subdivision Obligations expected to be purchased will include a range of credits. Below is a description of the security pledges of the Political Subdivision Obligations expected to be held within the Portfolio Account for the applicable series of the Series 2019 Bonds. Political Subdivisions need not have ratings or obtain credit ratings on Political Subdivision Obligations expected to be purchased by the Board. In addition, the Board may acquire a temporary ownership interest in a facility which a Political Subdivision will repurchase at a future date. See "**STATE WATER IMPLEMENTATION FUND FOR TEXAS PROGRAM – Political Subdivision Obligations and Underwriting and Monitoring Process** – *Board Participation Obligations*".

As of the time of issuance, [_____] is expected to represent [_____%] of the Political Subdivision Obligations expected to be held within the Portfolio Account for the Series 2019A Bonds (consisting of [$_____] principal amount of Political Subdivision Obligations) and Sabine River Authority is expected to represent 100% of the Political Subdivision Obligations expected to be held within the Portfolio Account for the Taxable Series 2019B Bonds (consisting of [$_____] principal amount of Political Subdivision Obligations). See "***APPENDIX A-2* – SIGNIFICANT BORROWER INFORMATION**".

General Obligations. When a Political Subdivision issues a general obligation, its full faith and credit are pledged to secure payment when due of the principal of and interest on the obligation. State law requires the eligible Political Subdivision to levy taxes that will be collected in amounts and at the times sufficient to make debt service payments. If the eligible Political Subdivision fails to make a payment when due, the owner of a general obligation, such as the Board, can bring suit for mandamus to require the tax levy to be collected and applied to debt service. Political Subdivision general obligations typically require voter approval.

The tax levy described above may be limited depending upon the type of eligible Political Subdivision issuing the general obligations. Water districts, including municipal utility districts, operating pursuant to Article XVI, Section 59 of the Texas Constitution, are authorized to issue bonds payable from

ad valorem taxes unlimited as to rate or amount. However, some general obligation bonds issued by municipalities are payable from a limited ad valorem tax, whether imposed by state law or its home rule charter.

Municipalities which operate pursuant to the home rule charter provisions of Article XI, Section 5 of the Texas Constitution are limited to a tax rate of not to exceed $2.50 per $100 assessed valuation for all municipal purposes, including the payment of debt service on bonds. The home rule charter approved by the voters of the municipalities may, and often does, provide for a lower tax rate limitation. There are requirements set forth in Article XI, Section 5 of the Texas Constitution which must be satisfied in order for a municipality to be eligible to seek home rule status including a requirement that a municipality contain a population of more than 5,000 inhabitants and that the municipality hold an election at which a majority of the voters approve adoption of a home rule charter. A Type A general law municipality with a population of 5,000 or less is limited to a tax rate of not to exceed $1.50 per $100 assessed valuation for all municipal purposes; provided, however, under certain circumstances a tax rate not to exceed $0.25 per $100 assessed valuation may be imposed. A Type A general law municipality with a population of 5,000 or more is limited to a tax rate of not to exceed $2.50 per $100 assessed valuation for all municipal purposes.

Revenue Obligations. When an eligible Political Subdivision issues a revenue obligation, the obligation is a limited obligation payable solely from the revenues that are specifically pledged. Revenue bonds are not a debt of the issuer, but solely a charge upon the revenues generated by properties of the systems so encumbered. The holder of such revenue bonds does not have the right to demand payment out of any funds raised or to be raised by taxation.

Municipalities, including home rule and general law municipalities, are authorized pursuant to Chapter 1502, Texas Government Code, as amended, to issue bonds payable from the revenues of their electric system, water system, sewer system or sanitary disposal equipment and appliances, or natural gas system, parks and or swimming pools, either or all such systems. The expenses of operation and maintenance of the system, including, without limitation, all salaries, labor, materials, interest, repairs and extensions necessary to render efficient service is a first lien against the revenues of such systems. Pursuant to state law, municipalities must charge and collect a rate sufficient to pay all operating, maintenance, depreciation, replacement, betterment, interest charges and all debt service requirements relating to such system.

Combination General Obligation and Revenue Obligations. Combination General Obligation and Revenue Obligations, which may be in the form of bonds or certificates of obligation, are payable from a combination of ad valorem property taxes, with the same tax rate limitations as discussed above under "General Obligations," and revenues from various types of systems such as waterworks, sewer, gas and electric or any combination thereof as authorized pursuant to Chapter 1502, Texas Government Code and as discussed above under "Revenue Obligations," or other revenues the political subdivision may lawfully pledge in support of such obligations. The revenue pledge may be limited to surplus net revenues only or may include all net revenues after the payment of necessary operation and maintenance expenses, and the payment of obligations secured by a superior pledge of net revenues.

Contract Revenue Bonds. When an eligible Political Subdivision issues Contract Revenue Bonds, the bonds are a limited obligation payable solely from the payments to be received pursuant to a contract. Certain eligible Political Subdivisions are authorized pursuant to state law to issue bonds payable from contract payments due from the beneficiary of the facilities constructed with the proceeds of the bonds issued. In the instance of SWIRFT, a municipality is typically the contracting party which is responsible for debt service payments on the bonds. Generally such contract payments are payable as an operation and maintenance expense of a municipality's waterworks and sewer system and therefore have a first lien on the revenues of such systems and are paid prior to paying debt service on any obligations of a municipality payable from the same type of revenue pledge.

Board Participation Obligations. An eligible Political Subdivision enters into long-term, fixed-rate financing agreements whereby the Board will have a temporary ownership interest in a facility. The Political Subdivision will repurchase the interest in the facility under a repayment schedule that allows for the structured deferral of both principal and interest.

See "***APPENDIX A-1* – SUMMARY OF POLITICAL SUBDIVISION OBLIGATIONS EXPECTED TO BE FUNDED BY SERIES 2019A BONDS AND BY TAXABLE SERIES 2019B BONDS**" for a percentage breakdown of the security to be pledged in respect to the Political Subdivision Obligations. The Board has by resolution officially approved for funding and therefore made a binding commitment to provide financial assistance, subject to the availability of funds and compliance with certain conditions.

Types of Program Assistance

Assistance to Political Subdivisions is expected to fall into one of three categories of obligations as outlined below:

(1) Low-Interest – Long-term, fixed-rate obligations offered at below market rate. Maturities range from 20 to 30 years. Interest rates are based on the Board cost of funds, which reflects the credit rating of SWIRFT. This rate is further reduced by a subsidy established by the Board. For the applicants whose projects were approved in the fiscal year ending August 31, 2019, the subsidy amount for tax-exempt projects is up to 35% for 20-year maturities, 25% for obligations up to 25 years and 20%, for obligations up to 30 years. The subsidy amount for taxable projects is up to 28% for 20-year maturities, 20% for obligations up to 25 years and 16% for obligations up to 30 years. The subsidy amount for tax-exempt rural projects is up to 50% for 20-year maturities, 34% for obligations up to 25 years and 27% for obligations up to 30 years. The subsidy amount for taxable rural projects is up to 40% for 20-year maturities, 27% for obligations up to 25 years and 22% for obligations up to 30 years. These interest rate subsidies are based on general assumptions of debt structure by the Political Subdivision Obligations prior to application. These subsidies are subject to modification as necessary should a Political Subdivision Obligations request a modified debt structure.

(2) Deferred – Used for funding only developmental costs (planning and design). Maturities range from 20 to 30 years. Principal payments are deferred and interest does not accrue for up to eight years or until the end of construction, whichever occurs first. The obligation is amortized over the remaining term of the agreement. For the applicants whose projects were approved in the fiscal year ending August 31, 2019, interest rates are based on the Board's cost of funds, which reflects the credit rating of SWIRFT. No additional subsidy is available.

(3) Board Participation – Long-term, fixed-rate financing through a temporary Board ownership interest in a facility. These terms are intended to allow entities to reasonably finance the total debt for an optimally sized regional facility. The local sponsor repurchases the Board's interest under a repayment schedule that allows for the structured deferral of both principal and interest. Maturities vary but are generally 34 years. Interest rates are based on the Board's cost of funds, which reflects the credit rating of SWIRFT. No additional subsidy amount is available.

Texas Treasury Safekeeping Trust Company

Funds in SWIFT are held by TTSTC, which is responsible for the investment of funds entrusted to it. TTSTC has developed a written investment policy. SWIFT funds will be annually audited and copies of such audits will be provided to both the Board and the SWIFT Advisory Committee. A copy of the SWIFT investment policy and annual report can be found on the TTSTC's website at the following link: http://www.TTSTC.org.

DEBT SERVICE ON OUTSTANDING MASTER TRUST BONDS AND SERIES 2019 BONDS[(1)(2)]
(Table 1)

Fiscal Year Ending (August 31)	Total Debt Service on Outstanding Master Trust Bonds	Projected Series 2019A Bonds		Projected Taxable Series 2019B Bonds		Total Aggregate Debt Service on Master Trust Bonds
		Principal	Interest	Principal	Interest	
2020						$ -
2021						-
2022						-
2023						-
2024						-
2025						-
2026						-
2027						-
2028						-
2029						-
2030						-
2031						-
2032						-
2033						-
2034						-
2035						-
2036						-
2037						-
2038						-
2039						-
2040						-
2041						-
2042						-
2043						-
2044						-
2045						-
2046						-
2047						-
2048						-
2049						-
2050						-
2051						-
2052						-
2053						-
2054						-
	$ -	$ -	$ -	$ -	$ -	$ -

(1) Preliminary, subject to change.
(2) Numbers may not add due to rounding.

DEBT SERVICE AND CASH FLOW PROJECTIONS

Projected Revenue Cash Flows

Projected revenue cash flows as set forth in Table 2 in this Official Statement (the "**Projected Revenue Cash Flows**") were prepared by the Board's financial advisor. Projected Revenue Cash Flows contain estimates that include assumptions regarding future events, including assumptions regarding future Political Subdivision Obligations purchased or entered into and funded with proceeds of Bonds, transfers of moneys from the Assistance Account to the Debt Service Account, future interest rates on Political Subdivision Obligations, the repayment of Political Subdivision Obligations by Political Subdivisions and investment earnings on such moneys. The actual results will differ from the estimates stated in the Projected Revenue Cash Flow to the extent that actual future events differ from the estimates and assumptions upon which the Projected Revenue Cash Flow is based. See "**OTHER INFORMATION – Forward-Looking Statements**".

The following tables (collectively, "**Table 2**") represent cash flow projections for the respective series of Series 2019 Bonds.

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PROJECTED REVENUE CASH FLOWS
(Table 2-A)

Series 2019A Bonds[1][3]

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[1] Preliminary, subject to change.
[2] Represents anticipated Political Subdivision Obligation revenue for the period ending 40 days before each debt service payment which occurs within such fiscal year.
[3] Numbers may not add due to rounding.

PROJECTED REVENUE CASH FLOWS
(Table 2-B)

Taxable Series 2019B Bonds[1][3]

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[1] Preliminary, subject to change.
[2] Represents anticipated Political Subdivision Obligation revenue for the period ending 40 days before each debt service payment which occurs within such fiscal year.
[3] Numbers may not add due to rounding.

INVESTMENT CONSIDERATIONS

Prospective purchasers of the Series 2019 Bonds should be aware that investment in the Series 2019 Bonds entails some degree of risk and uncertainty. Each prospective investor in the Series 2019 Bonds should read this Official Statement in its entirety. Particular attention should be given to the factors described below which, among others, could affect the payment of the debt service on the Series 2019 Bonds and which could also affect the market price and liquidity of the Series 2019 Bonds to an extent that cannot be determined. References to an Account or a Bond Indenture are intended to refer to such Account or Bond Indenture governing either series of the Series 2019 Bonds. This discussion of investment considerations is not, and is not intended to be, exhaustive.

Moneys on Deposit in SWIFT Are Not Pledged in Support of the Series 2019 Bonds

The Board may, but is not legally required to, seek a transfer of funds from SWIFT to SWIRFT in support of SWIRFT through the execution of a bond enhancement agreement with the TTSTC. The Board may direct, at its sole discretion, additional transfers from SWIFT to provide a source of revenue or security for outstanding bonds that were supported by a transfer from SWIFT, including the Series 2019 Bonds, but the Board is under no obligation to direct such a transfer, and no assurance is given that the Board will direct additional transfers from SWIFT for such purpose or the amount of any such transfers, if made. If the Board were to elect to proceed with an additional transfer, then additional State administrative approval will need to be sought and there is no assurance that such approval will be obtained. Pursuant to Subchapter G, the Board may effect no more than two transfers of funds from SWIFT in each fiscal year of the State, which commences on September 1 of a calendar year and ends on the succeeding August 31.

One or More Local Governments May Default Under Their Political Subdivision Obligations

The primary source of repayment for the Series 2019 Bonds is the payments under the Political Subdivision Obligations. The ability of the Political Subdivisions to make full and timely payments of debt service or other repayment obligations due on their respective Political Subdivision Obligations will depend on various economic and financial circumstances, including weather-related events such as damage caused by storms and other natural disasters. If a Political Subdivision fails to pay the principal of or interest on any Political Subdivision Obligations held in a Portfolio Account, the Board may seek to enforce payment of such principal and interest and any other amounts due and payable pursuant to applicable provisions of state law. There can be no assurance that the Board will have an effective remedy or realize any amounts or amounts equal to all amounts due to the Board under the Political Subdivision Obligations. Acceleration is not a remedy if a default under the terms of a Political Subdivision Obligation occurs.

The proceedings relating to the issuance of the Political Subdivision Obligations purchased for a Portfolio Account will be subject to review and approval by the Office of the State Attorney General with an approval required for Political Subdivision Obligations that utilize the low interest and deferred payment structures. Such approval does not ensure that payments of principal and interest on Political Subdivision Obligations will be made when due.

Owners of Series 2019 Bonds are Not Entitled to Accelerate the Indebtedness of the Series 2019 Bonds upon a Default

The payment of principal of, premium, if any, and interest on the Series 2019 Bonds is not subject to acceleration upon the occurrence and continuation of an Event of Default under the applicable Bond Indenture. Owners of the Series 2019 Bonds will therefore be required to collect debt service payments on the Series 2019 Bonds due after an Event of Default based on the Series 2019 Bonds scheduled payment dates from the Revenues and other property pledged under the applicable Bond Indenture which may not be sufficient to make such payments.

Repayment of the Series 2019 Bonds From Sources Other than the Political Subdivision Obligations

The interest rates on the Political Subdivision Obligations will be lower than the interest rates on the corresponding Series 2019 Bonds that were issued to acquire them. Because the debt service on the Series 2019 Bonds is expected to be paid only in part from the payments made on the Political Subdivision Obligations, the payment of debt service on the Series 2019 Bonds will need to be made from the other funds available under the applicable Bond Indenture, including specifically moneys in the Assistance Account for the Series 2019 Bonds. See "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS – SWIFT Funds Transfer Agreement**".

Limitations on Remedies Available to Owners of Series 2019 Bonds

The enforceability of the rights and remedies of the Owners of Series 2019 Bonds (either against the Board or against the Political Subdivisions as issuers of, or obligors under, their Political Subdivision Obligations), and the obligations incurred by (a) the Board in issuing the Series 2019 Bonds and (b) the Political Subdivisions in issuing or entering into their Political Subdivision Obligations, are subject to the following: the federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the United States Constitution; and the reasonable and necessary exercise, in certain unusual situations, of the police power inherent in the State and its governmental subdivisions in the interest of serving a legitimate and significant public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Series 2019 Bonds to judicial discretion and interpretation of their rights in bankruptcy and otherwise, and consequently may involve risks of delay, limitation or modification of their rights.

TAX MATTERS

THE FOLLOWING DISCUSSION, WHICH WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE SALE OF THE SERIES 2019 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 BELOW. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE SERIES 2019 BONDS UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE.

Certain Federal Income Tax Considerations

The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Series 2019 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 Series 2019 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 qualifying for the health insurance premium assistance credit, taxpayers who may be subject to or personal holding company provisions of the Code) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Series 2019 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 Series 2019 Bonds as "capital assets" (generally, property held for investment) within the meaning of section 1221 of the Code. This discussion is based on statutes, regulations, published rulings and court decisions existing on the date of delivery of Bond Counsel's opinions, as described below ("**Existing Law**"), all of which are subject to change or modification, retroactively.

As used herein, the term "**U.S. Holder**" means a beneficial owner of a Series 2019 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 Series 2019 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 SERIES 2019 BONDS IN LIGHT OF THE HOLDER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE SERIES 2019 BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SERIES 2019 BONDS BEFORE DETERMINING WHETHER TO PURCHASE SERIES 2019 BONDS.

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

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 Series 2019A Bonds under federal or state law and could affect the market price or marketability of the Series 2019A Bonds. Any such legislation, action or court decision could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such legislation, action or court decision being enacted or becoming effective cannot be predicted. Prospective purchasers of the Series 2019A Bonds should consult their own tax advisors regarding the foregoing matters.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Series 2019 Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under sections 1471 through 1474 or 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.

Tax-Exempt Bonds

Opinion.

On the date of initial delivery of the Series 2019A Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel, will render its opinion that, in accordance with Existing Law, (1) for federal income tax purposes, interest on the Series 2019A Bonds will be excludable from the "gross income" of the holders thereof and (2) the Series 2019A Bonds will not be treated as "specified private activity bonds", the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Code. Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Series 2019A Bonds. See "***APPENDIX D* - Form of Bond Counsel's Opinions".**

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the Board, including information and representations contained in the Board's federal tax certificate related to the Series 2019A Bonds, and (b) covenants of the Board contained in the 2019A Bond Indenture relating to certain matters, including arbitrage and the use of the proceeds of the Series 2019A Bonds and the property financed or refinanced therewith. Failure by the Board to observe the aforementioned representations or covenants could cause the interest on the Series 2019A 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 Series 2019A Bonds in order for interest on the Series 2019A 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 Series 2019A Bonds to be included in gross income retroactively to the date of issuance of the Series 2019A Bonds. The opinion of Bond Counsel is conditioned on compliance by the Board with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Series 2019A Bonds.

Bond Counsel's opinion regarding the Series 2019A 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 Series 2019A 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 Series 2019A Bonds.

Federal Income Tax Accounting Treatment of Original Issue Discount.

The initial public offering price to be paid for one or more maturities of the Series 2019A Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Series 2019A 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 Series 2019A 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 Series 2019A 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.

Under section 6012 of the Code, U.S. Holders of tax-exempt obligations, such as the Series 2019A 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 Series 2019A 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 Series 2019A 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 Series 2019A 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.

A ruling was not sought from the Internal Revenue Service by the Board with respect to the Series 2019A Bonds or the Project. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the Board that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Series 2019A Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Board as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Taxable Bonds

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

Periodic Interest Payments and Original Issue Discount. The Taxable Series 2019B Bonds are not obligations described in section 103(a) of the Code. Accordingly, the stated interest paid on the Taxable Series 2019B Bonds or original issue discount, if any, accruing on the Taxable Series 2019B 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 Bonds. An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a Taxable Series 2019B 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 Series 2019B Bonds. Generally, a U.S. Holder's tax basis in the Taxable Series 2019B 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 Series 2019B Bonds has been held for more than one year.

Defeasance of the Taxable Bonds. Defeasance of any Taxable Series 2019B 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.

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 Series 2019B Bond, will not be subject to U.S. federal income or withholding tax in respect of such Taxable Series 2019B 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 Series 2019B 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 Board has entered into a separate undertaking for the benefit of bondholders of either series of the Series 2019 Bonds to provide certain updated information and notices to the Municipal Securities Rulemaking Board (the "**MSRB**") through its Electronic Municipal Market Access ("**EMMA**") system.

Continuing Disclosure Undertaking of the Board

General.

In each Bond Indenture, the Board has made the following agreement for the benefit of the holders and Beneficial Owners of the related Series 2019A Bonds or Taxable Series 2019B Bonds, as the case may be. The Board is required to observe the agreement for so long as it remains obligated to advance funds to pay the Series 2019 Bonds of either series. Under the agreement, the Board will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the MSRB through EMMA.

Annual Reports.

The Board will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes Table 1, Table 2 and "***APPENDIX A-1* – SUMMARY OF POLITICAL SUBDIVISION OBLIGATIONS EXPECTED TO BE FUNDED BY SERIES 2019A BONDS AND BY TAXABLE SERIES 2019B BONDS**" herein. The Board will update and provide this information within 195 days after the end of each fiscal year ending in or after 2020.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's website or filed with the SEC, as permitted by the Rule. The updated information will include audited financial statements, if the Board commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Board will provide unaudited financial statements within the required time and audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with generally accepted accounting principles for governmental entities or such other accounting principles as the Board may be required to employ from time to time pursuant to state law or regulation.

The Board's current fiscal year end is August 31. Accordingly, it must provide updated information within 195 days thereof unless the Board changes its fiscal year. If the Board changes its fiscal year, it will notify the MSRB of the change prior to the next date by which the Board otherwise would be required to provide financial information and operating data as described above.

Disclosure Event Notices.

The Board will notify the MSRB in a timely manner, not in excess of ten (10) Business Days after the occurrence of any of the events listed below. The Board will provide notice of any of the following events with respect to the Series 2019 Bonds of either series: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability,

Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2019 Bonds, or other material events affecting the tax status of the Series 2019 Bonds; (7) modifications to rights of holders of the Series 2019 Bonds, if material; (8) Series 2019 Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2019 Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Board; (13) the consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) the appointment of a successor or additional; (15) incurrence of a Financial Obligation of the Board, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Board, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Board, any of which reflect financial difficulties. Trustee or the change of name of a Trustee, if material. In addition, the Board will provide timely notice of any failure by the Board to provide information, data, or financial statements in accordance with its agreement described above under "- CONTINUING DISCLOSURE OF INFORMATION – Continuing Disclosure Undertaking of the Board – Annul Reports".

For the purposes of the event numbered (12) in the preceding paragraph, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Board in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board.

Availability of Information

The Board has agreed to provide the foregoing financial and operating information only as described above. The Board will be required to file their respective continuing disclosure information using the MSRB's EMMA system. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

The Board has agreed to update information and to provide notices of disclosure events only as described above. The Board makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Series 2019 Bonds at any future date. The Board 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 of Series 2019 Bonds may seek a writ of mandamus to compel the Board to comply with its agreement.

The Board may amend its respective continuing disclosure agreement from time to time 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 Board, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Series 2019 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 (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Series 2019 Bonds consent to the amendment or (b) a person unaffiliated with the Board (such as nationally recognized bond counsel) determines that the amendment

will not materially impair the interests of the beneficial owners of such Series 2019 Bonds. The Board may also amend or repeal the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Series 2019 Bonds in the primary offering of the Series 2019 Bonds. If the Board so amends the agreement, it has agreed to 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 financial information and operating data so provided.

If the Board changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the Board otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC. All filings shall be made electronically, in the format specified by the MSRB.

Continuing Disclosure Undertaking of Significant Borrowers

In each Bond Indenture, the Board covenants that it will require each Significant Borrower (any Political Subdivision with outstanding aggregate principal amount of Political Subdivision Obligations issued by the Political Subdivision and held in the Portfolio Account established by the 2019A Bond Indenture and the 2019B Bond Indenture, as the case may be, that comprises at least 20% in aggregate principal amount of all Political Subdivision Obligations held, on and after April 1, 2020, in the related Portfolio Account) to adopt an ordinance, order or resolution (a "**Significant Borrower Undertaking**") pursuant to which such Significant Borrower must agree to provide annually to the MSRB financial information and operating data with respect to the Significant Borrower of the general type hereinafter described. The term Significant Borrower includes (i) any Political Subdivision that is expected to be a Significant Borrower as of the date on which each Bond Indenture is adopted (an "**Existing Significant Borrower**") and (ii) a Political Subdivision that, as a result of the Board's future acquisition of its Political Subdivision Obligations, or substitution of its Political Subdivision Obligations as permitted by the Bond Indenture, or the prepayment or redemption of other Political Subdivision Obligations held in the Portfolio Account, established by the Bond Indenture, becomes a Significant Borrower (a "**Future Significant Borrower**"). Any Existing Significant Borrower must agree to provide, within 195 days after the end of each fiscal year of the Existing Significant Borrower ending in or after 2019, financial information and operating data with respect thereto of the nature included in its Significant Borrower Undertaking, which is summarized in Appendix A-2 attached hereto. Any financial statements so to be provided shall be prepared in accordance with the accounting principles described in its Significant Borrower Undertaking, or such other accounting principles as such Existing Significant Borrower may be required to employ from time to time pursuant to state law or regulation. Any Future Significant Borrower must agree to provide, within 195 days after the end of each fiscal year of the Future Significant Borrower ending in or after the year the Political Subdivision becomes a Significant Borrower, financial information and operating data with respect thereto of the nature required by the Rule and its Significant Borrower Undertaking. Any financial statements so to be provided shall be prepared in accordance with the accounting principles described in its Significant Borrower Undertaking, or such other accounting principles as such Significant Borrower may be required to employ from time to time pursuant to state law or regulation. In any case, if such Significant Borrower commissions an audit of such statements and the audit is completed within the period during which they must be provided, the financial statements to be provided shall be audited. If the audit of such financial statements is not complete within such period, then such Significant Borrower shall provide notice that the audited financial statements are not available and provide unaudited financial

statements and thereafter audited financial statements for the applicable fiscal year to the MSRB, when and if the audit report on such statements becomes available.

Each Significant Borrower shall also agree to notify the MSRB in a timely manner, not in excess of ten (10) Business Days after the occurrence of certain disclosure events as described in the Significant Borrower Undertaking.

In addition, each Significant Borrower shall also agree to provide timely notice of any failure by such Significant Borrower to provide information, data or financial statements in accordance with its Significant Borrower Undertaking.

If any Significant Borrower changes its fiscal year, it shall be the duty of such Significant Borrower, as required by its respective Significant Borrower Undertaking, to notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which such Significant Borrower otherwise would be required to provide financial information and operating data. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC.

Each Significant Borrower shall be obligated under its Significant Borrower Undertaking to observe and perform the covenants specified in this Section for so long as, but only for so long as, such Significant Borrower remains an "obligated person" with respect to the applicable series of the Series 2019 Bonds within the meaning of the Rule.

The Significant Borrower Undertaking is for the sole benefit of the Holders and beneficial owners of the Series 2019 Bonds, and nothing, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim to any other person.

No default by any Significant Borrower in observing or performing its obligations as described above shall constitute a breach of or default under the Bond Indenture for purposes of any other provision of the Bond Indenture. Nothing as described above is intended or shall act to disclaim, waive, or otherwise limit the duties of any Significant Borrower under federal and state securities laws.

Each Significant Borrower Undertaking shall provide that the nature of the undertaking therein may be amended by the related Significant Borrower from time to time 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 such Significant Borrower, but only if (1) the undertaking, as so amended, would have permitted an underwriter to purchase or sell its Political Subdivision Obligations in the primary offering such Political Subdivision Obligations in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of each Bond Indenture that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with any Significant Borrower (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Political Subdivision Obligations. If any Significant Borrower so amends its Significant Borrower Undertaking, it shall include with any amended financial information or operating data next provided an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided.

The Board, as a condition to making financial assistance available to a Political Subdivision, requires that a Political Subdivision must include a provision in its authorizing proceedings to the effect that such Political Subdivision will covenant to provide relevant financial information and operating data with respect to such Political Subdivision annually to the MSRB within 195 days after the end of each fiscal

year of such Political Subdivision, and to file with the MSRB certain specified "disclosure events" with respect to the Political Subdivision Obligations consistent with the Rule, as if the Board were a "Participating Underwriter" within the meaning of the Rule.

As a result of the prepayment or redemption of Political Subdivision Obligations held in the Portfolio Account established by a Bond Indenture, should a Political Subdivision become a Future Significant Borrower, the Trustee will promptly notify the Board and the Political Subdivision that becomes a Future Significant Borrower in writing that the Political Subdivision has become a Future Significant Borrower. As a result of a Significant Borrower's Political Subdivision Obligations held in the Portfolio Account established by a Bond Indenture no longer comprising at least twenty percent (20%) in aggregate principal amount of all Political Subdivision Obligations held in such Portfolio Account, the Trustee will promptly notify the Board and such Political Subdivision in writing that such Political Subdivision no longer is a Significant Borrower. Notice to the Political Subdivision shall be sent to the address provided to the Trustee by the Board at the time the Political Subdivision Obligation is directed by the Board to be purchased by the Trustee in accordance with the provisions of the Bond Indenture.

If the Board is unable, through no fault of its own, to obtain a Significant Borrower Undertaking from any Political Subdivision which currently has Political Subdivision Obligations held in the Portfolio Account established by the 2019A Bond Indenture or the 2019B Bond Indenture, as the case may be, and which subsequently becomes a Significant Borrower, the Board is under no obligation to take any action if any such Significant Borrower fails to provide the information requested.

As of the Date of Delivery, the [_____] is the [sole] Significant Borrower under the 2019A Bond Indenture and the Sabine River Authority is the sole Significant Borrower under the 2019B Bond Indenture.

Compliance with Prior Undertakings of the Board

With respect to its 2015 Continuing Disclosure Annual Report (the "**2015 Report**"), the Board inadvertently omitted listing the State of Texas Water Financial Assistance Bonds, Series 2015D (the "**Series 2015D Bonds**"), as an issue covered by the 2015 Report. The Board amended the 2015 Report to include the Series 2015D Bonds as a series covered by the 2015 Report. The Executive Administrator and staff of the Board have also instituted certain measures to assist in managing compliance with continuing disclosure obligations, including regularly reviewing debt and disclosure matters among staff and, to the extent necessary, outside consultants.

OTHER INFORMATION

Ratings

Both series of the Series 2019 Bonds are rated "___" by Fitch Ratings and "___" by S&P Global Ratings, a division of S&P Global, Inc. An explanation of the significance of such ratings may be obtained from the rating agency furnishing the rating. The ratings reflect only the respective views of such rating agencies and the Board makes no representation as to the appropriateness of the ratings. Such ratings are not a recommendation to buy, sell or hold the Series 2019 Bonds of either series. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either of such rating agencies, if in the judgment of either or both such agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Series 2019 Bonds of either series.

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2019A Bonds from the Board, at a price of $_____ (reflecting the par amount of the Series 2019A Bonds, plus a net original issue premium of $_____, less an underwriting discount of $_____) and no accrued interest. The Underwriters will be obligated to purchase all of the Series 2019A Bonds if any Series 2019A Bonds are purchased. The Series 2019A Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Series 2019A Bonds into investment trusts) at prices lower than the public offering prices of such Series 2019A Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have agreed, subject to certain conditions, to purchase the Taxable Series 2019B Bonds from the Board, a price of $_____ (reflecting the par amount of the Taxable Series 2019B Bonds, less an underwriting discount of $_____) and no accrued interest. The Underwriters will be obligated to purchase all of the Taxable Series 2019B Bonds if any Taxable Series 2019B Bonds are purchased. The Taxable Series 2019B Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Taxable Series 2019B Bonds into investment trusts) at prices lower than the public offering prices of such Taxable Series 2019B Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have furnished for inclusion in this Official Statement the following paragraphs of this subcaption. The Board makes no representation as to the accuracy or completeness of the information contained in the following paragraphs.

Additionally, certain of the other Underwriters may have entered into distribution agreements with other broker-dealers (that have not been designated by the Board as Underwriters) for the distribution of the Series 2019 Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Board, the State or the Political Subdivision, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Board, the State or the Political Subdivisions.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Registration and Qualification of Series 2019 Bonds

The sale of the Series 2019 Bonds has not been registered under the federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Series 2019

Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Series 2019 Bonds been qualified under the securities acts of any jurisdiction. The Board assumes no responsibility for qualification of the Series 2019 Bonds under the securities laws of any jurisdiction (including any foreign nation) in which the Series 2019 Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Series 2019 Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Series 2019 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. With respect to investment in the Series 2019 Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Series 2019 Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "**OTHER INFORMATION – Ratings**" above. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Series 2019 Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Series 2019 Bonds are eligible to secure 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. No review by the Board has been made of the laws in other states or foreign nations to determine whether the Series 2019 Bonds are legal investments for various institutions in those states or foreign nations.

Legal Opinions

The delivery of the Series 2019 Bonds of each series is subject to the approval of the Attorney General of Texas to the effect that the Series 2019 Bonds of each series are valid and legally binding special obligations of the Board in accordance with their terms payable solely from and equally and ratably secured by the first lien on and pledge of the Security securing each respective series of the Series 2019 Bonds in the manner provided in each Bond Indenture and the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Series 2019A Bonds will be excludable from gross income for federal income tax purposes, subject to the matters described under "**TAX MATTERS – Tax-Exempt Bonds**" in this Official Statement. The proposed forms of Bond Counsel's opinions are attached as *Appendix D*.

Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility for this Official Statement or undertaken independently to verify any of the information contained in it, except that, in their capacity as Bond Counsel, such firm has reviewed the information in the Official Statement under the captions, "**INTRODUCTION**," "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS**," "**THE SERIES 2019 BONDS**," "**TAX MATTERS**," "**CONTINUING DISCLOSURE OF INFORMATION**" (except for the information under the subheading "**Compliance with Prior Undertakings of the Board**"), "**OTHER INFORMATION – Registration and Qualification of Series 2019 Bonds**," "**OTHER INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas**" and "**OTHER INFORMATION – Legal Opinions," and in "*Appendix B*" and "*Appendix D*"** to verify that the information relating to the Series 2019 Bonds, the Master Indenture, the 2019A Bond Indenture and the 2019B Bond Indenture contained under such captions and in *Appendices B* and *D* in all respects accurately and fairly reflects the provisions thereof and, insofar as such information relates to matters of law, is true and accurate. The opinions of Bond Counsel will accompany the global certificates deposited with DTC in connection with the use of the Book-Entry-Only System. In addition, certain legal

matters will be passed upon (i) for the Underwriters by Orrick, Herrington & Sutcliffe LLP, counsel to the Underwriters, and (ii) for the Board by Bracewell LLP, Disclosure Counsel for the Board, and the payment of the fees of each such law firm is contingent on the sale and issuance of the Series 2019 Bonds.

McCall, Parkhurst & Horton L.L.P. and Bracewell LLP may represent the members of the underwriting syndicate from time to time on matters not related to the Series 2019 Bonds.

The legal opinions to be delivered concurrently with the delivery of the Series 2019 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues expressly addressed in those opinions. 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 from the transaction.

No Litigation

The Board is not a party to any litigation or other proceeding pending or, to its knowledge, threatened, in any court, agency, or other administrative body (either state or federal) which, if decided adversely to the Board, would have a material adverse effect on the Security for the Series 2019A Bonds or the Security for the Taxable Series 2019B Bonds, and no litigation of any nature has been filed or, to its knowledge, threatened that would affect the provisions made for the use of the Security for the Series 2019A Bonds to secure or pay the principal of or interest on the Series 2019A Bonds, or would affect the provisions made for the use of the Security for the Taxable Series 2019B Bonds to secure or pay the principal of or interest on the Taxable Series 2019B Bonds, or in any manner questioning the validity of the Series 2019 Bonds of either series.

Sources of Information

The financial and other information contained herein have been obtained from the Board's records and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and Indentures contained in this Official Statement are made subject to all of the provisions of such statutes, documents and Indentures. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Financial Advisor

Hilltop Securities Inc. ("Hilltop Securities"), is employed as Financial Advisor to the Board in connection with the issuance of the Series 2019 Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2019 Bonds is contingent upon the issuance and delivery of the Series 2019 Bonds. Hilltop Securities, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2019 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the Board 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, and as part of, its responsibilities to the Board and, as applicable, 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.

Forward-Looking Statements

The statements contained in this Official Statement, and in any other information provided to the reader by the Board that are not purely historical, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding the Board'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 Board on the date hereof, and the Board assumes no obligation to update any such forward-looking statements. It is important to note that the Board'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, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

Approval of Official Statement

The Resolution approved the form and content of this Official Statement, and authorized its further use in the reoffering of the Series 2019 Bonds by the Underwriters. Questions regarding this Official Statement may be directed to Georgia Sanchez, Director, Debt and Portfolio Management and Development Fund Manager, Texas Water Development Board, 1700 North Congress, Austin, Texas 78701; Telephone: (512) 475-4584; Electronic Mail: georgia.sanchez@twdb.texas.gov.

APPENDIX A-1

SUMMARY OF POLITICAL SUBDIVISION OBLIGATIONS EXPECTED TO BE FUNDED WITH BOND PROCEEDS

SUMMARY OF SWIRFT POLITICAL SUBDIVISION OBLIGATIONS EXPECTED TO BE FUNDED BY SERIES 2019A BONDS*

The following table shows the projected Political Subdivision Obligations expected to be funded with proceeds of the Series 2019A Bonds based on new commitments made in 2019, and existing multi-year commitments.

Entity	Obligation Description	Commitment Date	Anticipated Closing Amount

* Financial assistance amounts are subject to change until the Political Subdivision Obligations are purchased or entered into by the Board.

SUMMARY OF SWIRFT POLITICAL SUBDIVISION OBLIGATION EXPECTED TO BE FUNDED BY TAXABLE SERIES 2019B BONDS*

The following table shows the projected Political Subdivision Obligation expected to be funded with proceeds of the Taxable Series 2019B Bonds based on a commitment made in 2019.

Entity	Obligation Description	Commitment Date	Anticipated Closing Amount

* Financial assistance amount is subject to change until the Political Subdivision Obligation is purchased or entered into by the Board.

SIGNIFICANT BORROWERS EXPECTED TO BE FUNDED BY THE SERIES 2019 BONDS

Series 2019A Bonds

POLITICAL SUBDIVISION	EXPECTED NUMBER OF OBLIGATIONS	ANTICIPATED CLOSING AMOUNT*	PERCENTAGE OF PORTFOLIO ACCOUNT

Taxable Series 2019B Bonds

POLITICAL SUBDIVISION	EXPECTED NUMBER OF OBLIGATIONS	ANTICIPATED CLOSING AMOUNT*	PERCENTAGE OF PORTFOLIO ACCOUNT

* Preliminary, subject to change.

APPENDIX A-2

SIGNIFICANT BORROWER INFORMATION

SIGNIFICANT BORROWER INFORMATION
SERIES 2019A BONDS

The following information has been furnished by the Significant Borrower of Series 2019A Bond proceeds for inclusion in this Official Statement:

SIGNIFICANT BORROWER INFORMATION
TAXABLE SERIES 2019B BONDS

The following information has been furnished by the Significant Borrower of Taxable Series 2019B Bond proceeds for inclusion in this Preliminary Official Statement:

APPENDIX B

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE BOND INDENTURES

The following statements summarize certain provisions of the Master Trust Indenture and the Bond Indentures. These statements do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the Master Trust Indenture and the Bond Indentures, respectively. Copies of the Master Trust Indenture and Bond Indentures are available for examination at the offices of the Board.

The following capitalized terms appearing this Official Statement have the meanings set forth below, unless the context otherwise requires. A reference to any of these terms in the singular number includes the plural and vice versa.

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DEFINITIONS OF THE MASTER TRUST INDENTURE AND THE BOND INDENTURES

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APPENDIX C

INFORMATION REGARDING THE TEXAS WATER DEVELOPMENT BOARD

TEXAS WATER DEVELOPMENT BOARD

General

The Board is an agency of the State and was created by constitutional amendment in 1957. Its mission is to provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for the State. The Board is responsible for long-range water planning in the State. The Board is primarily responsible for the State's financial programs associated with the water industry, including the establishment of policy for the financial programs.

The Board initially was given authorization to issue as general obligations of the State $200,000,000 in "Water Development Bonds" for the "construction of dams, reservoirs and other water storage projects". Subsequent amendments to the Constitution and enabling legislation expanded the types of water-related facilities eligible for Board financial assistance to include all components of water supply, wastewater (sewage) conveyance and treatment, flood control, municipal solid waste management and agricultural water conservation projects. The Board may also execute contracts with any agency of the United States for the acquisition and development of storage facilities in the State and reservoirs constructed by the federal government, which contracts constitute general obligations of the State.

The primary focus of the Board prior to 1985 was to provide loans to assist communities that found it a hardship to obtain funding from other sources. Constitutional amendments and legislative changes implemented in 1985 broadened the eligibility criteria to include regional water, wastewater, municipal solid waste management, flood control projects, and water projects that involved the conversion from a ground water supply source to a surface supply. In 1987, with the creation of the Clean Water State Revolving Fund ("**CWSRF**"), all political subdivisions (no hardship or regional criteria required) became eligible to apply or financial assistance for wastewater treatment projects. In 1989, a constitutional amendment and legislation authorized the Board to provide loan and grant assistance to construct potable water supply and sanitary sewer systems in impoverished areas through the Economically Distressed Areas Program ("**EDAP**").

Since 1957, the Legislature and the voters of the State have approved constitutional amendments increasing the Board's bond issuance authority and authorized funding purposes, such that under the various Sections in Article III of the State Constitution (Sections 49-c, 49-d, 49-d-1, 49-d-2, 49-d-5, 49-d-6 and 49-d-7, referred to herein as the "**Development Fund I Constitutional Provisions**"), the Board was authorized to issue up to $2.48 billion in Water Development Bonds to augment the Texas Water Development Fund ("**Development Fund I**"). Pursuant to such authorization, the Board has issued $1,467,190,000 of Water Development Bonds. Development Fund II ("**Development Fund II**") was established pursuant to Section 49-d-8, which was approved by the voters of the State on November 4, 1997. Development Fund II is a fund in the State Treasury separate and legally distinct from Development Fund I. All of the liabilities and assets formerly held in the Texas Water Development Fund I have been transferred to Development Fund II. Water Assistance Bonds issued by the Board are not included. Since Section 49-d-8 consolidates the separate bond issuance authorities contained in the Development Fund I Constitutional Provisions and provides a more efficient cash flow for Development Fund II than exists for Development Fund I, the Board does not currently intend, but reserves the right, to issue additional Water Development Bonds pursuant to the Development Fund I Constitutional Provisions.

Organizational Structure

In addition to its constitutional and statutory responsibilities in providing and administering Development Fund II and other financial programs, the Board is responsible for establishing policy in connection with the State Revolving Fund programs administered by the United States Environmental Protection Agency ("**USEPA**") State Revolving Fund programs and long-range planning for the water needs for the State. The Board is primarily responsible for the State's financial programs associated with the water industry including the establishment of policy for the financial programs and the employment of an Executive Administrator.

Board Members

The Board is composed of three full-time members who are appointed by the Governor and confirmed by the Texas Senate, and will serve staggered six-year terms. A person appointed to the Board may not serve for more than two six-year terms. In accordance with state law, the Board must appoint the executive administrator of the Board.

The Board meets at least monthly in Austin, Texas and holds additional meetings as needed. The Board considers financial assistance applications from eligible applicants, awards grants for water-related research and planning, and conducts other Board business, such as approving the State Water Plan.

The members of the Board currently are:

Peter M. Lake, Chairman. Appointed to the Board by Governor Greg Abbott effective December 15, 2015. Mr. Lake has held a variety of financial roles in a number of industries. He served as director of research and head of automated trading at Gambit Trading, a member firm of the Chicago Board of Trade and the Chicago Mercantile Exchange, leading the firm's market research initiatives and directing the development of its first automated trading programs. He also traded interest rate derivatives, primarily focusing on U.S. Treasury bond futures. Additionally, Mr. Lake served as director of business development for Lake Ronel Oil Company, where he focused on financial analysis of upstream oil and gas opportunities. Mr. Lake was director of special operations for VantageCap Partners and played a key role in the due diligence, valuation and transactional aspects of the successful divestment of the firm's primary investment. Mr. Lake was born and raised in Tyler, Texas. He graduated with a bachelor of arts in public policy with a specialization in economics from the University of Chicago, and he earned a master's of business administration from Stanford University's Graduate School of Business. Mr. Lake's term expires February 1, 2021.

Kathleen Jackson, Member. Appointed to the Board by Governor Rick Perry effective March 18, 2014, and reappointed to a new term by Governor Greg Abbott on March 9, 2017. Ms. Jackson has a diverse background representing agricultural, environmental, industrial and wholesale-supply interests, which includes developing and implementing water management strategies for Southeast Texas. As a registered professional engineer, Ms. Jackson served as public affairs manager for one of the world's largest petroleum and petrochemical producers. Additionally, she was involved in production agriculture with her late husband, who ran a cattle operation and farmed rice. She served as a past member of the Lower Neches Valley Authority Board of Directors, the Texas Water Conservation Association, and participated on the Sabine and Neches Rivers Bay and Estuary Environmental Flows Assessment Program Stakeholders Committee. She is also a board member and past president of the Lamar Institute of Technology Foundation, a sustaining member of the Junior League of Beaumont, a member of the Texas Farm Bureau, past president of the American Cancer Society of North Jefferson County, and a past board member of Junior Achievement of the Golden Triangle. Ms. Jackson received

a bachelor's degree in chemical engineering from North Carolina State University. Ms. Jackson's term expires February 1, 2023.

Brooke T. Paup, Member. Appointed to the Board by Governor Greg Abbott, effective February 22, 2018 and reappointed to a new term by Governor Greg Abbott, on February 6, 2019. Ms. Paup most recently served as the Director of Legislative Affairs for the Texas Comptroller of Public Accounts and is formerly the Deputy Division Chief of Intergovernmental Relations for the Office of the Attorney General. While with the Office of the Attorney General, Ms. Paup was a Special Assistant for Policy and Research on public finance and legislative and special litigation issues, including SWIFT and SWIRFT. Ms. Paup is a member of the Texas State Bar and holds a Juris Doctorate from Texas Tech School of Law and is an alumna of Texas A&M University with a Bachelor's of Arts degree. Ms. Paup has been appointed for a term set to expire February 1, 2025.

Key Staff Members

Jeff Walker, Executive Administrator. Mr. Walker was named Executive Administrator of the TWDB on May 19, 2016. He has served in various positions at the TWDB for more than 25 years, including as an agricultural conservation specialist, a financial analyst, a non-point source coordinator, and director of Project Development. In his most recent past role as Deputy Executive Administrator of Water Supply and Infrastructure, his areas of responsibility included state water planning, project development, financial assistance, project funds disbursement, financial program administration, water use and population projections, facility needs assessment, project inspection, and reporting. Mr. Walker holds a Master of Business Administration from Texas State University and a Bachelor of Science in Agricultural Economics from Texas A&M University.

Amanda Lavin, Assistant Executive Administrator. Ms. Lavin has more than 25 years of experience in public financing of infrastructure projects in Texas. She previously served as assistant deputy for the office of Water Supply and Infrastructure and helped supervise the implementation of the SWIRFT program. Prior to joining the TWDB, Ms. Lavin was a financial advisor to various political subdivisions in the Austin and Houston areas.

Jessica Peña Zuba, Deputy Executive Administrator, Water Supply and Infrastructure. Ms. Zuba joined the TWDB in July 2001. She was named the Deputy Executive Administrator of Water Supply and Infrastructure in May 2016. Prior to this role, she served as the director of Regional Water Planning and Development, which entailed managing six multi-disciplined regional teams that implement water and wastewater projects across the state. Her past positions at the TWDB also include team manager for the Northeast Region of the state and financial analyst. Ms. Zuba received a bachelor's degree in business administration with the distinction of magna cum laude from St. Edward's University.

Rebecca Trevino, ***Chief Financial Officer***. Ms. Trevino joined the Board as its Chief Financial Officer in August 2016. Prior to this appointment, she served as the Deputy Chief Financial Officer for the Texas Health & Human Services Commission. Ms. Trevino has served in various financial leadership roles during her career, including that of Chief Financial Officer for the Texas Department of Assistive and Rehabilitative Services and the Texas Water Development Board. She holds a Bachelor of Business Administration degree in Accounting from The University of Texas at Austin and is a Certified Public Accountant.

Georgia Sanchez, Debt Portfolio Manager and Development Fund Manager. Ms. Sanchez joined the TWDB in March 2017. She previously served more than 23 years with the City of Austin, Texas in roles including Assistant Treasurer and Investment Officer, where she managed cash, investments, and debt programs, and Corporate Budget Manager overseeing the implementation of the city's Capital Improvements Plan. She holds a Bachelor of Business Administration degree in International Business from The University of Texas at Austin.

Todd Chenoweth, General Counsel. Mr. Chenoweth was appointed to serve as General Counsel effective February 1, 2017. Prior to that he served as Senior Advisor to Executive Management on a range of water issues. Mr. Chenoweth has been a member of the State Bar of Texas since 1976. He has served as an Assistant City Attorney, and an Assistant County Attorney. Since 1997, he has served in a variety of management and policy positions with the Texas Commission on Environmental Quality and the Texas Water Development Board. Mr. Chenoweth holds a bachelor's degree from Texas A&M University, a Masters of Public Administration degree from the John F. Kennedy School of Government at Harvard University, and a law degree from the University of Texas at Austin.

Financial Assistance Programs

Below is a brief summary of additional financial assistance programs, other than SWIFT and SWIRFT, administered by the Board and funded with general revenues or the proceeds of general obligation bonds of the State.

Texas Water Development Funds.

Texas Water Development Fund ("**Development Fund I**") and Texas Water Development Fund II ("**Development Fund II**") are used to provide loans to eligible applicants for the construction of local or regional water supply, wastewater treatment, flood control and municipal solid waste management projects. These funds are funded through the issuance of general obligation bonds issued by the Board on behalf of the State of Texas pursuant to Sections 49-c, 49-d, 49-d-1, 49-d-2, 49-d-5, 49-d-6, 49-d-7, 49-d-8, 49-d-9, 49-d-10, and 49-d-11 of Article III of the Texas Constitution. Development Fund I is no longer active, and the Board has no current intention to issue bonds to augment Development Fund I. The Board has established the following major accounts within Development Fund II: the EDAP Account, the Financial Assistance Account, and the State Participation Account. The Board has also established the EDAP Bond Payment Account, the Financial Assistance Bond Payment Account, the State Participation Bond Payment Account, and other accounts (including specifically the Water Infrastructure Fund Bond Payment Account) necessary for the proper administration of Development Fund II, as determined by the Board.

Water Assistance Fund.

The Water Assistance Fund is funded through appropriations made by the Legislature, and provides grants and loans at an interest rate set by Board rule to eligible political entities for water supply and treatment projects, wastewater treatment projects, flood control projects, purchasing an interest in reservoirs and providing grants up to 100% of funding for water research, and matching grants for flood protection and regional water supply and wastewater feasibility planning.

Water Infrastructure Fund.

In 2001, the Legislature added provisions to Chapter 15 of the Texas Water Code creating the Water Infrastructure Fund in furtherance of the public purpose of conserving and developing the water resources of the State. The Water Infrastructure Fund may be used (i) to make loans to political subdivisions for projects to conserve, mitigate, convey and develop water resources of the State ("**WIF**

Projects"); (ii) to make grants, low interest loans, or zero interest loans to political subdivisions for WIF Projects to serve areas outside metropolitan statistical areas in order to ensure that the projects are implemented, or for WIF Projects to serve economically distressed areas; (iii) to make loans for planning and design costs, permitting costs and other costs associated with State or federal regulatory activities with respect to WIF Projects; (iv) as a source of revenue or security for the payment of principal and interest on bonds issued by the Board if the proceeds of the sale of such bonds will be deposited in the Water Infrastructure Fund; and (v) to pay the necessary and reasonable expenses of the Board in administering the Water Infrastructure Fund. In 2003, the aforementioned provisions were designated within Chapter 15 of the Texas Water Code as Subchapter Q.

The Board may direct the Comptroller to transfer amounts to the Water Infrastructure Fund to provide financial assistance under the Texas Water Code for the purposes provided in Subchapter Q, specifically for the uses described above, as listed in Section 15.974, Texas Water Code, as amended. Subchapter Q further provides that the Water Infrastructure Fund may be used as a source of revenue for the repayment of debt service on "Financial Assistance Bonds," the proceeds of which have been deposited into the Water Infrastructure Fund.

Rural Water Assistance Fund.

Chapter 15, Subchapter R, of the Texas Water Code authorizes and governs the Rural Water Assistance Fund, which is a special fund in the State Treasury. The Rural Water Assistance Fund may be used, among other purposes, to (i) provide low interest loans to Rural Political Subdivisions (as defined below) for water or water related projects and for water quality enhancement projects, including the construction of infrastructure facilities for wholesale or retail water and sewer service, desalination projects, the purchase or lease of well water fields; the construction of infrastructure facilities for wholesale purchase or lease of rights to produce groundwater; onsite or wetland wastewater treatment facilities; and interim financing of construction projects, (ii) finance water projects in the State Water Plan or regional water plan or (iii) enable a Rural Political Subdivision to obtain water or wastewater service supplied by larger political subdivisions or to finance the consolidation or regionalization of neighboring political subdivisions, or both. The Rural Water Assistance Fund may also be used to (a) contract for outreach, financial, planning, and technical assistance to assist Rural Political Subdivisions in obtaining financial assistance through the Rural Water Assistance Fund and (b) buy down interest rates on loans or provide grants to Rural Political Subdivisions. A "Rural Political Subdivision" is a nonprofit water supply or sewer service corporation, district, or municipality with a service area of 10,000 or less in population; or that otherwise qualifies for financing from a federal agency; or a county in which no urban area exceeds 50,000 in population.

The Board may direct the Comptroller to transfer amounts from the Financial Assistance Account to the Rural Water Assistance Fund to provide financial assistance under the Texas Water Code for the purposes provided in Subchapter R, specifically for the uses described above, as listed in Section 15.994, Texas Water Code, as amended. Subchapter R further provides that the Rural Water Assistance Fund may be used as a source of revenue for the repayment of debt service on Financial Assistance Bonds, the proceeds of which have been deposited into the Rural Water Assistance Fund.

Texas Agricultural Water Conservation Bond Program.

Article III, Section 50-d of the Constitution (adopted in 1985) authorizes the Board to issue general obligation Texas Agricultural Water Conservation Bonds. Subchapter J was added to Chapter 17 of the Texas Water Code, implementing the Agricultural Water Conservation Bond Program and creating the Agricultural Water Conservation Fund (the "**Agriculture Fund**").

Money in the Agriculture Fund may be used to provide grants to State agencies to fund conservation programs or conservation projects, provide grants or loans to certain political subdivisions for conservation programs or conservation projects, provide linked deposits to certain financial institutions for loans to certain entities and individuals for conservation projects, pay for the Board's conservation programs, pay costs of issuance for and debt service due on Texas Agricultural Water Conservation Bonds, and to pay the Board's related administrative expenses. Conservation programs, certain costs of which may be financed from the Agriculture Fund, include: (a) agricultural water conservation technical assistance programs; (b) research, demonstration, technology transfer, or educational programs relating to agricultural water use and conservation; (c) precipitation enhancement programs; and (d) any other agricultural water conservation program defined by Board rule. Conservation projects, certain costs of which may be financed from the Agriculture Fund, include projects that: (a) improve water use efficiency; (b) prepare irrigated land for conversion to dry land conditions; (c) prepare dry land for more efficient use of precipitation; (d) purchase and fund the acquisition and installation of devices on public or private property to indicate the amount of water withdrawn for irrigation; (e) prepare and maintain land to be used for brush control activities; and (f) implement any other agricultural water conservation project defined by Board rule.

Revenue Bonds

The Board is authorized to issue an unlimited amount of revenue bonds to fund certain eligible projects. The Board has the authority to sell revenue bonds for the following purposes: (1) to finance the construction of water and wastewater projects of political subdivisions and nonprofit water supply corporations; (2) to provide interim financing to political subdivisions which are also receiving long term financing from the Board; (3) to finance projects of nonprofit water supply corporations; (4) to provide the state matching funds for federal funds provided to the CWSRF, the Drinking Water State Revolving Fund ("**DWSRF**"), and any additional State revolving fund hereafter established by the Board to provide financial assistance to political subdivisions for public works in accordance with a federal capitalization grant program; and (5) to finance water and sewer projects in economically distressed areas to the extent such assistance will not adversely affect the current or future integrity of financial assistance programs of the Board. The Board's revenue bonds do not constitute a debt of the State, and neither the full faith and credit nor the taxing authority of the State is in any manner pledged, given or loaned to the payment of the Board's revenue bonds. Further, the Board's revenue bonds are not secured by or payable from money in either Development Fund I or Development Fund II.

State Revolving Funds

State Water Pollution Control Revolving Fund.

The Federal Water Pollution Control Act of 1972, as amended by the Water Quality Act of 1987, as amended (the "**Federal Act**"), established the Federal Loan Program (described below) as a joint federal and state program. Under the Federal Loan Program, the USEPA is authorized to make grants (the "**SRF Capitalization Grants**") to states to aid in providing financial assistance to municipalities; intermunicipal, interstate or state agencies; or other public entities eligible for assistance under the Federal Act (the "**Eligible Borrowers**") for eligible projects including the construction of publicly owned treatment works, managing stormwater, measures to reduce the demand for publicly owned treatment works capacity through water conservation, efficiency, or reuse, and nonpoint source pollution control projects and other authorized purposes pursuant to the Federal Act. As a condition to receipt of an SRF Capitalization Grant, a state is required to establish a perpetual state revolving fund into which the SRF Capitalization Grant must be deposited, and to provide state matching funds at least equal to 20% of the SRF Capitalization Grant. Historically, proceeds of Water Development Bonds and Financial Assistance Bonds have been used to provide such matching funds. Funds in a state revolving

fund are permitted to be applied to provide financial assistance to Eligible Borrowers in a number of ways, including making direct loans, purchasing or refinancing debt obligations and providing loan guarantees.

Pursuant to Chapter 15, Subchapter J of the Texas Water Code ("**Subchapter J**"), which became effective June 17, 1987, the State created the CWSRF for the purpose of providing financial assistance to Eligible Borrowers for authorized activities and uses. The Board currently provides financial assistance by purchasing political subdivision obligations from Eligible Borrowers, or by providing loans or principal forgiveness.

The Board purchases political subdivision obligations or provides loans under the State Revolving Fund program with terms up to thirty (30) years from project completion, but in no event longer than the expected design life of the project financed or refinanced.

State Safe Drinking Water Revolving Fund.

The Federal Safe Drinking Water Act ("**SDWA**") established national primary drinking water regulations to protect the safety of the public's drinking water. Under the SDWA, the USEPA is authorized to make grants ("**DWSRF Capitalization Grants**") to states to assist communities in meeting established drinking water standards. As a condition to receipt of a DWSRF Capitalization Grant, a state is required to establish a drinking water state revolving fund into which the DWSRF Capitalization Grant must be deposited, provide state matching funds at least equal to 20% of the DWSRF Capitalization Grant for deposit in the safe drinking water revolving fund and comply with certain other requirements of the SDWA. Historically, proceeds of Water Development Bonds and Financial Assistance Bonds have been used to provide all or a portion of such matching funds. The Board does not expect to issue general obligation bonds to provide matching funds in the future. Pursuant to Subchapter J, Texas created the DWSRF for the purpose of providing financial assistance to political subdivisions and water supply corporations. The Legislature expanded the program to allow funding for privately owned corporations for loan subsidies, provided that only appropriated funds and federal grants are utilized for such purpose.

DWSRF funds are permitted to be applied to provide financial assistance to community water systems and non-profit community water systems in a number of ways, including making direct loans, retiring existing debt through refinancing, and providing loan guarantees for expenditures that facilitate compliance with the primary national drinking water regulations. Under the SDWA, no less than 15% of money credited to the DWSRF must be provided to public water systems which serve fewer than 10,000 persons to the extent such funds can be obligated for eligible projects. Additional set asides may be made for source water protection loans and programs for capacity development and for state administration of the SDWA. The Board currently provides financial assistance by purchasing political subdivision obligations from Eligible Borrowers, or by providing loans or principal forgiveness. The maximum term of such form of financial assistance may not exceed thirty (30) years from project completion, but in no event longer than the expected design life of the project financed or refinanced.

Sunset Review of the Board

The Board is subject to review, but not abolishment, under the Texas Sunset Act, Chapter 325, Texas Government Code (the "**Sunset Act**"), by the Sunset Advisory Commission (the "**Commission**"). The Board was most recently reviewed in 2011 and is subject to review every 12th year thereafter. The Legislature, however, is not prohibited from considering legislation addressing the programs performed by the Board prior to such date. Pursuant to the Sunset Act, the Commission is required to make recommendations to the Legislature regarding the reorganization, consolidation or transfer of programs

administered by the Board. The Sunset Act further prohibits the Legislature from enacting legislation which would in any way affect the Board's continuing obligations, including those to the Bondholders pursuant to the Bond Indenture.

APPENDIX D

PROPOSED FORM OF OPINIONS OF BOND COUNSEL

Proposed Form of Opinions of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Series 2019A Bonds, assuming no material changes in facts or law.

TEXAS WATER DEVELOPMENT BOARD
STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
REVENUE BONDS, SERIES 2019A (MASTER TRUST),
IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____

Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Taxable Series 2019B Bonds, assuming no material changes in facts or law.

TEXAS WATER DEVELOPMENT BOARD
STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
REVENUE BONDS, TAXABLE SERIES 2019B (MASTER TRUST),
IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____

APPENDIX E

DESCRIPTION OF BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

The information set out in this Appendix E is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC (as defined below), Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") or Clearstream Banking, S.A. ("Clearstream Banking") (DTC, Euroclear and Clearstream Banking together, the "Clearing Systems" currently in effect). The information in this Appendix E concerning the Clearing Systems has been obtained from sources that the Board believes to be reliable, but none of the Board, the Financial Advisor, the Bond Indenture Trustee or the Underwriters take any responsibility for the accuracy, completeness or adequacy of the information in this Appendix E. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. The Board will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Series 2019 Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

DTC Book-Entry Only System

Below is a description of how ownership of the Series 2019 Bonds is to be transferred and how the principal and interest on the Series 2019 Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC") while the Series 2019 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 the Official Statement.

The Board and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Series 2019 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 Series 2019 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 the 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. Termination of the DTC Book-Entry-Only System by the Board may require consent of the Participants under DTC Operational Arrangements.

DTC will act as securities depository for the Series 2019 Bonds. The Series 2019 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 each maturity and series of the Series 2019 Bonds, as set forth on the inside of the cover page hereof, in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose Trust Company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and, together with the Direct Participants, the "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 Series 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2019 Bond ("Beneficial Owner") is in turn to be recorded on the 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 Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2019 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2019 Bonds, except in the event that use of the book-entry system for the Series 2019 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 Series 2019 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2019 Bonds are credited, which may or may not be the Beneficial Owners. The 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 the Series 2019 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2019 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Series 2019 Bonds may wish to ascertain that the nominee holding the Series 2019 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2019 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board 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 Series 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Series 2019 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Board or the Paying Agent/Registrar 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 Board, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Board or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2019 Bonds at any time by giving reasonable notice to the Board or the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2019 Bond certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof and the information is not to be construed as a representation by the Board, the Financial Advisor or the Underwriters.

Use of certain terms in other sections of the Official Statement. In reading the Official Statement it should be understood while the Series 2019 Bonds are in the book-entry-only system, references in other sections of the Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Series 2019 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.

Euroclear and Clearstream Banking

The information in this section concerning Euroclear and Clearstream Banking has been provided by such Clearing Systems for use in disclosure documents such as the Official Statement:

Euroclear and Clearstream Banking each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream Banking provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream Banking also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream Banking have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream Banking customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream Banking is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

Clearing and Settlement Procedures

The Series 2019 Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, or Clearstream Banking and Euroclear in Europe if the investors are participants in those systems, or indirectly through organizations that are participants in the systems. For any of such Series 2019 Bonds, the record holder will be DTC's nominee. Clearstream Banking and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream Banking's and Euroclear's names on the books of their respective depositories.

The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream Banking or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream Banking or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream Banking or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream Banking participant on that business day. Cash received in Clearstream Banking or Euroclear as a result of sales of securities by or through a Clearstream Banking participant or Euroclear participant to a Participant, other than the depository for Clearstream Banking or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream Banking or Euroclear cash account only as of the business day following settlement in DTC.

Transfers between Participants will occur in accordance with DTC rules. Transfers between Clearstream Banking participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream Banking participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within its established deadlines in European time. The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream Banking participants or Euroclear participants may not deliver instructions directly to the depositories.

The Board will not impose any fees in respect of holding the Series 2019 Bonds; however, holders of book-entry interests in the Series 2019 Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in the Clearing Systems.

Initial Settlement

Interests in the Series 2019 Bonds held in the Euroclear and Clearstream Clearing Systems will be held in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Series 2019 Bonds through Euroclear and Clearstream Banking accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Series 2019 Bonds will be credited to Euroclear and Clearstream Banking participants' securities clearance accounts on the business day following the date of delivery of the Series 2019 Bonds against payment (value as on the date of delivery of the Series 2019 Bonds). Participants acting on behalf of purchasers electing to hold book-entry interests in the Series 2019 Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. Participants' securities accounts will be credited with book-entry interests in the Series 2019 Bonds following confirmation of receipt of payment to the Board on the date of delivery of the Series 2019 Bonds.

Secondary Market Trading

Secondary market trades in the Series 2019 Bonds will be settled by transfer of title to book-entry interests in the Clearing Systems. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream Banking or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Series 2019 Bonds may be transferred within Euroclear and within Clearstream Banking and between Euroclear and Clearstream Banking in accordance with procedures established for these purposes by Euroclear and Clearstream Banking. Book-entry interests in the Series 2019 Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Series 2019 Bonds between Euroclear or Clearstream Banking and DTC may be effected in accordance with procedures established for this purpose by Euroclear, Clearstream Banking and DTC.

Special Timing Considerations

Investors will only be able to make and receive deliveries, payments and other communications involving the Series 2019 Bonds through Euroclear or Clearstream Banking on days when those systems are open for business. In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream Banking and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Series 2019 Bonds, or to receive or make a payment or delivery of Series 2019 Bonds, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream Banking is used, or Brussels if Euroclear is used.

General

None of DTC, Euroclear, or Clearstream Banking is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

None of the Board, the Financial Advisor, the Bond Indenture Trustee or the Underwriters will have any responsibility for the performance by DTC, Euroclear, or Clearstream Banking or their respective direct or indirect participants or account holders of their respective obligations, including the timely transfer of funds to pay interest on and principal of the Series 2019 Bonds when due, under the rules and procedures governing their operations or the arrangements referred to above.

TEXAS WATER DEVELOPMENT BOARD