

TO: Board Members

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

FROM: Georgia Sanchez, Debt Portfolio Manager and Development Fund Manager

DATE: May 28, 2018

SUBJECT: Approval of State of Texas General Obligation Water Financial Assistance Refunding Bonds, Series 2018B

ACTION REQUESTED

Consider approving by resolution: (a) the issuance, sale and delivery of State of Texas, General Obligation Water Financial Assistance Refunding Bonds, Series 2018B (Water Infrastructure Fund); (b) a Preliminary Official Statement; and (c) authorization for the Executive Administrator, General Counsel, Chief Financial Officer, and Development Fund Manager to act on behalf of the Texas Water Development Board in the sale and delivery of such bonds.

BACKGROUND

On May 17, 2018, the Board initiated the process for the issuance of General Obligation bonds to refinance currently callable Water Financial Assistance (Water Infrastructure Fund) bonds and pay costs of issuance.

Hilltop Securities Inc. was selected to serve as financial advisor, Norton Rose Fulbright US LLP was selected to serve as bond counsel, and Bracewell LLP was selected as disclosure counsel. The underwriting syndicate of senior manager Piper Jaffray and co-managers Barclays, BOK Financial Securities Inc., Loop Capital Markets, and Siebert Cisneros Shank & Co. LLC was also selected.

Staff, in coordination with the consultants, has drafted and attached the required documents, including the Bond Resolution and Preliminary Official Statement. Upon approval by the Board, a formal Notice of Intent to issue debt will be provided to the Bond Review Board (BRB), and approval is expected from the BRB in advance of posting the Preliminary Official Statement. Staff anticipates minor edits to update the bond documents prior to publication.

Our Mission : **Board Members**

To provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for Texas : Peter Lake, Chairman | Kathleen Jackson, Board Member | Brooke T. Paup, Board Member
: Jeff Walker, Executive Administrator

BOND SIZING

Preliminary debt service schedules for the bonds are included as Attachment 3. While the par and premium amounts will be adjusted at the time of pricing due to market considerations, total par will not exceed \$265,215,000.

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 \$535,000 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 schedule of events currently anticipated for this transaction:

- **May 17, 2018** Board initiated the bond issuance process and selected consultants/underwriters
- **June 11, 2018** Board considers approval of the issuance/documents
- **July 10, 2018** Bond pricing initiation
- **July 11, 2018** Bond pricing
- **July 31, 2018** Closing and delivery of the bonds

RECOMMENDATION

In order to realize savings and enhance structuring, the Executive Administrator recommends approving by resolution: (a) the issuance, sale and delivery of State of Texas, General Obligation Water Financial Assistance Refunding Bonds, Series 2018B (Water Infrastructure Fund); (b) a Preliminary Official Statement; and (c) authorization for the Executive Administrator, General Counsel, Chief Financial Officer, and Development Fund Manager to act on behalf of the Texas Water Development Board in the sale and delivery of such bonds.

Attachments:

- 1 – Series 2018B Draft Bond Resolution
- 2 – Draft Preliminary Official Statement
- 3 – Preliminary Debt Service Schedules

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
AUTHORIZING THE SALE AND ISSUANCE OF
STATE OF TEXAS WATER FINANCIAL ASSISTANCE REFUNDING BONDS,
PROPOSED SERIES 2018B (WATER INFRASTRUCTURE FUND)

(18 -)

WHEREAS, pursuant to the authorities provided by Sections 49-d-8, 49-d-9, 49-d-10, and 49-d-11 of Article III of the Constitution of the State of Texas, the Texas Water Development Board (TWDB) has previously issued, sold, and delivered State of Texas Water Financial Assistance Bonds for the Texas Water Development Fund II Financial Assistance Account that are currently outstanding obligations (Obligations) of the TWDB and;

WHEREAS, the TWDB at a regularly scheduled Board Meeting held on May 17, 2018, authorized the Executive Administrator, Chief Financial Officer, and Development Fund and Debt Portfolio Manager to take all necessary actions for the issuance, sale, and delivery of State of Texas Water Financial Assistance Refunding Bonds, in one or more series; and

WHEREAS, the TWDB finds it advisable to refund all or a portion of certain Obligations due to be callable on August 1, 2018 in accordance with Texas Government Code Chapters 1207 and 1371 in a maximum par amount not to exceed \$265,215,000; and

NOW, THEREFORE, based on said considerations and findings, the Texas Water Development Board resolves as follows:

1. The TWDB authorizes the Executive Administrator, Chief Financial Officer, Development Fund Manager, Debt Portfolio Manager, and General Counsel of the TWDB (or any appropriate designee of these officers) to take all actions necessary, including but not limited to the acknowledgment, execution, and delivery of an authentication certificate, an approval certificate, a bond purchase agreement, an escrow agreement, and a paying agent agreement for the sale, delivery, and issuance of State of Texas Water Financial Assistance Refunding Bonds, in one or more series, in a maximum par amount not to exceed \$265,215,000.
2. To seek all necessary approvals of the Texas Attorney General, and Bond Review Board or any other State of Texas authority, in order to effectuate the sale of \$265,215,000 State of Texas Water Financial Assistance Refunding Bonds.
3. The Executive Administrator or his staff shall report to the TWDB Board the amounts of bonds refunded under authority granted by this Resolution.

APPROVED and ordered of record this the 11th day of June, 2018.

TEXAS WATER DEVELOPMENT BOARD

Peter Lake, Chairman

DATE SIGNED: _____

ATTEST:

Jeff Walker
Executive Administrator

**BOND RESOLUTION
OF THE**

TEXAS WATER DEVELOPMENT BOARD

AUTHORIZING THE ISSUANCE OF

**STATE OF TEXAS
WATER FINANCIAL ASSISTANCE ~~AND~~ REFUNDING BONDS,
SERIES 2018B (WATER INFRASTRUCTURE FUND)**

ADOPTED:

June 11, 2018

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RESOLUTION

**OF THE TEXAS WATER DEVELOPMENT BOARD AUTHORIZING THE
ISSUANCE OF STATE OF TEXAS WATER FINANCIAL ASSISTANCE AND
REFUNDING BONDS, SERIES 2018B, (WATER INFRASTRUCTURE FUND)
AND RESOLVING OTHER MATTERS RELATED THERETO**

WHEREAS, the Texas Water Development Board (the "**Board**") has previously issued, sold, and delivered general obligation bonds of the State of Texas (the "**State**"), to fund one or more accounts of the Texas Water Development Fund II (referred to herein as "**Development Fund II**") established pursuant to the provisions of Section 49-d-8 of Article III of the Constitution of the State (the "**State Constitution**"), approved by the voters on November 4, 1997 ("**Section 49-d-8**"); and

WHEREAS, Section 49-d-8 authorizes the Board, at its determination, to issue general obligation bonds for the purposes described therein in an aggregate principal amount equal to the amount of bonds authorized pursuant to Sections 49-d-2, 49-d-6, and 49-d-7 of Article III of the State Constitution less the amount of bonds previously issued pursuant to those sections to augment the Texas Water Development Fund (referred to herein as "**Development Fund I**"); and

WHEREAS, Section 49-d-9 of Article III of the State Constitution, approved by the voters on November 6, 2001 ("**Section 49-d-9**"), authorized the Board to issue additional general obligation bonds, at its determination, for one or more accounts of Development Fund II, in an amount not to exceed \$2,000,000,000; and

WHEREAS, Section 49-d-9 declares that (i) Section 49-d-8 applies to the bonds authorized by Section 49-d-9, (ii) the limitation in Section 49-d-8 that the Board may not issue bonds in excess of the amount equal to the aggregate principal amount of bonds authorized pursuant to Sections 49-d-2, 49-d-6, and 49-d-7 of Article III of the State Constitution less the amount of bonds issued pursuant to those sections to augment Development Fund I does not apply to the bonds authorized by and issued under Section 49-d-9, (iii) a limitation on the percentage of state participation in any single project imposed by Article III of the State Constitution does not apply to a project funded with the proceeds of bonds issued under authority of Section 49-d-8 or Section 49-d-9, and (iv) \$50,000,000 of the bonds issued under authority of Section 49-d-9 shall be used for the Water Infrastructure Fund (hereinafter defined) as provided by law; and

WHEREAS, Section 49-d-10 of Article III of the State Constitution, approved by the voters on November 6, 2007 ("**Section 49-d-10**"), authorizes the Board to issue additional general obligation bonds, at its determination, for the Economically Distressed Areas Program Account of Development Fund II, in an amount not to exceed \$250,000,000; and

WHEREAS, Section 49-d-11 of Article III of the State Constitution, approved by the voters on November 8, 2011 ("**Section 49-d-11**"), authorizes the Board to issue additional general obligation bonds, at its determination and on a continuing basis, for one or more accounts of Development Fund II, in amounts such that the aggregate principal amount of the bonds issued by the Board under Section 49-d-11 that are outstanding at any time does not exceed \$6,000,000,000; and

WHEREAS, Section 49-d-11 declares that (i) Section 49-d-8 applies to the bonds authorized by Section 49-d-11, (ii) the limitation in Section 49-d-8 that the Board may not issue

bonds in excess of the amount equal to the aggregate principal amount of bonds authorized pursuant to Sections 49-d-2, 49-d-6, and 49-d-7 of Article III of the State Constitution less the amount of bonds issued pursuant to those sections to augment Development Fund I does not apply to the bonds authorized by and issued under Section 49-d-11, and (iii) a limitation on the percentage of state participation in any single project imposed by Article III of the State Constitution does not apply to a project funded with the proceeds of bonds issued under authority of Section 49-d-8 or Section 49-d-11; and

WHEREAS, prior to the issuance of bonds authorized at this meeting, the Board had authority to issue (i) \$53,492,380 aggregate remaining principal amount of bonds pursuant to Section 49-d-10 and (ii) \$6,000,000,000 aggregate principal amount of bonds outstanding at any time originally issued pursuant to Section 49-d-11; and

WHEREAS, in furtherance of the purposes set forth in Section 49-d-8, Section 49-d-9, 49-d-11 and Subchapter L, Chapter 17 of the Texas Water Code (the "Act"), the Board has heretofore issued and there are currently outstanding obligations of the Board as described in "SCHEDULE I" to this Resolution (collectively referred to as the "Refundable Bonds"); and

WHEREAS, the Board finds it advisable and in the best interests of the State, in accordance with authority granted by Section 49-d-8, Section 49-d-9, Section 49-d-11 and the Act, to authorize the refunding of all or a portion of the Refundable Bonds and to provide additional funds for Water Assistance Projects in the State, in accordance with Chapter 1207 and Chapter 1371 (hereinafter defined), respectively, subject to the parameters set forth in this Resolution, as hereinafter provided; and

WHEREAS, the Board intends to issue bonds in an amount not to exceed the maximum principal amount specified in Section 2.01 hereof, pursuant to the authority of Section 49-d-8, Section 49-d-9 and Section 49-d-11; and

WHEREAS, bonds authorized to be issued pursuant to this Resolution are reasonably expected by the Board to be paid from revenue sources other than the general revenues of the State;

NOW, THEREFORE, BE IT RESOLVED BY THE TEXAS WATER DEVELOPMENT BOARD:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Section 1.01. Definitions. Throughout this Resolution (except in the FORM OF BOND attached as **Exhibit B** to this Resolution), in addition to the terms defined in the preamble and Section 6.02 to this Resolution the following terms and expressions used herein shall have the meanings specified in this Section.

"**Act**" means Subchapter L, Chapter 17, Texas Water Code.

"**Amortization Installment**" means the amount of money which is required for retirement of Term Bonds (whether at maturity or by mandatory redemption and including redemption premium, if any).

“Approval Certificate” means collectively one or more certificates, in substantially the form attached hereto as **Exhibit A**, executed by an Authorized Representative in accordance with the terms hereof which finalize the pricing and terms of the Series 2018B Bonds pursuant to the parameters set forth in this Resolution, including specifying the issuance of any one or more subseries.

“Attorney General” means the Attorney General of the State.

“Authentication Certificate” has the meaning specified for that term in Section 2.07.

“Authorized Denomination” means \$5,000 principal amount and any integral multiple thereof.

“Authorized Representative” means each of the Executive Administrator, the Chief Financial Officer, the Debt Portfolio Manager, and the Development Fund Manager of the Board, acting individually and not jointly.

“Board” means the Texas Water Development Board.

“Bond Enhancement Agreement” means any agreement of the nature described in Section 17.954(c), Texas Water Code.

“Bond Payment Account” has the meaning specified for that term in Section 5.03.

“Bonds” means the general obligation bonds of the State issued by the Board under authority granted by Section 49-d-8, Section 49-d-9, and Section 49-d-11 to provide funds for the Financial Assistance Account of Development Fund II, including the Previously Issued Financial Assistance Bonds and the Series 2018B Bonds.

“Book-Entry-Only System” shall mean the system maintained by the securities depository described in Section 2.11.

“Business Day” means a day other than a Saturday, Sunday, a legal holiday or a day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close.

“Chapter 9” means Chapter 9, Texas Business & Commerce Code.

“Chapter 551” means Chapter 551, Texas Government Code.

“Chapter 1206” means Chapter 1206, Texas Government Code.

“Chapter 1207” means Chapter 1207, Texas Government Code.

“Chapter 1208” means Chapter 1208, Texas Government Code.

“Chapter 1371” means Chapter 1371, Texas Government Code.

“Code” means the Internal Revenue Code of 1986, as amended by all legislation, if any, enacted on or before the Date of Delivery.

~~“Common Issue Bonds” means the Series 2018B Bonds and any other tax exempt bonds sold within 15 days of the first day on which there is a binding written contract for the sale or exchange of such bonds, if any, which are part of the same “issue” as defined in Section 1.150-1(c) of the Regulations, as the Series 2018B Bonds.~~

“Comptroller” means the Texas Comptroller of Public Accounts.

~~“Computation Amount” means the surplus proceeds (rounded to the next higher \$5,000 denomination) equal to the remainder of (i) thirty percent (30%) of the Net Proceeds less proceeds of Common Issue Bonds directly or indirectly used to make loans to Political Subdivisions as of the last day of the One-Year Computation Period (but not less than zero) or (ii) ninety five percent (95%) of the Net Proceeds less the proceeds of Common Issue Bonds directly or indirectly used to make loans to Political Subdivisions as of the last day of the Three-Year Computation Period (but not less than zero).~~

“Date of Delivery” means the date of initial delivery of the Series 2018B Bonds to the Underwriters.

“Dated Date” shall mean the date designated in the Approval Certificate as such with respect to the Series 2018B Bonds.

“Defeasance Securities” means, unless otherwise specified in an Approval Certificate, (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 Series 2018B 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 Series 2018B Bonds, are rated as to investment quality by a nationally-recognized investment rating firm not less than “AAA” or its equivalent, and (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Series 2018B Bonds under the then applicable laws of the State.

“Designated Payment/Transfer Office” means the corporate trust office of the Paying Agent/Registrar designated as the place for payment, transfer and exchange of the Series 2018B Bonds, initially, the corporate trust office of the Paying Agent/Registrar in Dallas, Texas.

“Development Fund I” has the meaning specified for that term in the preamble to this Resolution.

“Development Fund I Constitutional Provisions” means Sections 49-c, 49-d, 49-d-1, 49-d-2, 49-d-5, 49-d-6 and 49-d-7 of Article III of the State Constitution.

“Development Fund II” has the meaning specified for that term in the preamble to this Resolution.

“**DTC**” means The Depository Trust Company, New York, New York, and its successors and assigns.

“**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 among DTC Participants.

“**Economically Distressed Areas Program Account**” means the account described in Section 17.958, Texas Water Code.

“**EDAP Project**” means any project found and determined by the Board to be in accordance with the purposes described in Subchapter K.

“**Eligible Investments**” means those investments in which the Board is authorized by law and its investment policy to invest its funds.

“**Escrow Agreement**” means any deposit or escrow agreement between the Board and the Paying Agent/Registrar, with respect to the deposit of funds necessary to refund the Refunded Bonds.

“**Favorable Opinion of Bond Counsel**” means, with respect to any action the taking of which requires such an opinion, an unqualified opinion of Bond Counsel, delivered to and in form and substance satisfactory to the Issuer to the effect that such action will not adversely affect the exclusion of interest on the [2018B](#) Bonds from gross income for purposes of federal income taxation (subject to the inclusion of any exceptions contained in the opinion of Bond Counsel delivered upon original issuance of the [2018B](#) Bonds or other customary exceptions acceptable to the recipient thereof).

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

“**Financial Assistance Account**” means the account described in Section 17.959, Texas Water Code, as further described and defined in Section 5.03.

“**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.

“**Form of Bond**” shall mean the Form of Bond attached hereto as **Exhibit B**.

“**GASB**” means the Governmental Accounting Standards Board.

“**Holder**” or “**Owner**” shall mean the person who is the registered owner of a Series 2018B Bond or subseries thereof, as shown on the Registration Books.

“**Initial Bond**” means the Series 2018B Bonds authorized, issued, sold and delivered hereunder and upon which the registration certificate, manually executed by or on behalf of the Comptroller, has been placed.

“Interest Payment Date” means the date or dates on which interest on the Series 2018B Bonds is scheduled to be paid, as designated in the Approval Certificate.

“Money and Assets Attributable to Bonds” means:

- (1) the Board’s rights to receive repayment of financial assistance provided from the Financial Assistance Account, together with any evidence of such rights;
- (2) money received from the sale or other disposition of the Board’s rights to receive repayment of such financial assistance;
- (3) money received as repayment of such financial assistance;
- (4) money and assets attributable to Bonds, including money and assets transferred to the Financial Assistance Account from Development Fund I pursuant to Subsection (b) of Section 49-d-8; and
- (5) money deposited in the Financial Assistance Account pursuant to Subsection (c) of Section 49-d-8.

“MSRB” means the Municipal Securities Rulemaking Board.

~~**“Net Proceeds”** means the amounts received from the sale of Common Issue Bonds less proceeds used to pay costs of issuance, including any underwriters’ compensation, proceeds used to pay interest on such Common Issue Bonds during all or any portion of the One-Year Computation Period or the Three-Year Computation Period, as the case may be, and proceeds used to refund prior Bonds. Notwithstanding the foregoing, if applicable, the amount of Net Proceeds shall be adjusted to equal only the amount of Net Proceeds with respect to the portion of the Common Issue Bonds treated as a separate issue pursuant to Section 149(f)(7)(B) of the Code due to only that portion of the Common Issue Bonds being reasonably expected (at the time of issuance of the Common Issue Bonds) to be used (or is intentionally used) to make loans as described in Section 149(f)(6)(A) of the Code.~~

“Official Statement” means the Official Statement pertaining to the Series 2018B Bonds, and authorized by Section 8.02 hereof.

~~**“One-Year Computation Period”** means the period ending on the last day of the one-year period commencing on the Date of Delivery.~~

“Owner” or **“Holder”** shall mean the person who is the registered owner of a Series 2018B Bond or subseries thereof, as shown on the Registration Books.

“Outstanding” shall mean, when used to modify the Bonds, all of such Bonds issued, authenticated and delivered under their respective authorizing resolutions except (i) any Bonds which have been exchanged or replaced or otherwise surrendered for cancellation, (ii) any Bonds which have been paid, (iii) any Bonds which have become due and for the payment of which money has been duly provided, and (iv) any Bonds which have been legally defeased and discharged in accordance with the terms of respective authorizing resolution.

“Paying Agent/Registrar” means the financial institution named in Section 2.06 or any successor thereto named in accordance with the provisions of Section 2.10.

“Paying Agent/Registrar Agreement” means the paying agent agreement between the Board and the Paying Agent/Registrar, relating to the performance of the duties and responsibilities of the Paying Agent/Registrar with respect to the Series 2018B Bonds.

“Person” means any natural person, firm, partnership, association, corporation, or public body.

“Political Subdivision” has the meaning specified for that term in Section 17.001(6), Texas Water Code.

“Previously Issued Financial Assistance Bonds” means bonds previously issued to provide funds for the Financial Assistance Account and any refunding bonds issued in replacement thereof, including, but not limited to, the currently Outstanding Bonds identified as being issued for Water Assistance Projects in Schedule I.

“Purchase Agreement” means the bond purchase agreement between the Board and the Underwriters relating to the sale of the Series 2018B Bonds.

“Refundable Bonds” means those bonds identified in “SCHEDULE I” to this Resolution.

“Refunded Bonds” means those Refundable Bonds selected by the Authorized Representative to be refunded with the proceeds of the Series 2018B Bonds, as identified in the Approval Certificate.

“Registration Books” has the meaning specified for that term in Section 2.06.

“Regulations” has the meaning specified for that term in Section 6.02.

“Resolution” means this Resolution authorizing the issuance of the Series 2018B Bonds and all amendments hereto.

“Rule” means SEC Rule 15c2-12.

“Rural Water Assistance Fund” means the account within the general revenue fund of the State established pursuant to Subchapter R.

“SEC” means the United States Securities and Exchange Commission.

“Section 49-d-8” has the meaning specified for that term in the preamble to this Resolution.

“Section 49-d-9” has the meaning specified for that term in the preamble to this Resolution.

“Section 49-d-10” has the meaning specified for that term in the preamble to this Resolution.

“Section 49-d-11” has the meaning specified for that term in the preamble to this Resolution.

“Series 2018B Bonds” means the State of Texas Water Financial Assistance ~~and~~ Refunding Bonds Series 2018B (Water Infrastructure Fund), authorized to be issued in

accordance with the terms of this Resolution and the terms and conditions set forth in the Approval Certificate relating thereto.

“State” means the State of Texas.

“State Constitution” means the Constitution of the State.

“State Participation Account” means the account described in Section 17.957, Texas Water Code.

“State Participation Project” means any project found by the Board to be in accordance with the purposes described in Section 16.131, Texas Water Code.

“State Treasury” means the treasury of the State under the administration and supervision of the Comptroller.

“Subchapter K” means Subchapter K, Chapter 17, Texas Water Code.

“Subchapter Q” means Subchapter Q, Chapter 15, Texas Water Code.

“Subchapter R” means Subchapter R, Chapter 15, Texas Water Code.

“Term Bonds” means Series 2018B Bonds so designated by the Board herein or in the Approval Certificate.

~~**“Three-Year Computation Period”** means the period ending on the last day of the three-year period commencing the Date of Delivery.~~

“Underwriters” means the investment banking firms that contract to purchase the Series 2018B Bonds pursuant to the Purchase Agreement and in accordance with Section 8.01.

“Water Assistance Project” or **“Water Assistance Projects”** means any project for which the Board is authorized to provide financial assistance, in accordance with the purposes described by the Development Fund I Constitutional Provisions or Section 49-d-8, other than (i) an EDAP Project or (ii) a State Participation Project. The term “Water Assistance Project” includes, without limitation, transfers to or deposits to the credit of any state revolving fund administered by the Board under the provisions of the Texas Water Code, specifically Chapter 15, Texas Water Code, and transfers to or deposits to the credit of the Rural Water Assistance Fund or the Water Infrastructure Fund.

“Water Infrastructure Fund” means the special fund in the State Treasury established pursuant to Subchapter Q and administered by the Board.

“Water Infrastructure Fund Bond Payment Account” means the account described in Section 5.03(c) of this Resolution.

“Water Infrastructure Fund Bonds” means the Series 2018B Bonds and any Bonds heretofore and hereafter issued to augment the Water Infrastructure Fund.

Section 1.02. Rules of Construction.

(a) Designation of Articles, Sections. For all purposes of this Resolution, unless the context requires otherwise, all references to designated Articles, Sections and other subdivisions are to the Articles, Sections and other subdivisions of this Resolution. The words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Resolution as a whole and not to any particular Article, Section or other subdivision.

(b) References. Except where the context otherwise requires, terms defined in this Resolution to impart the singular number shall be considered to include the plural number and vice versa. References to any named Person means that party and its successors and assigns. References to any constitutional, statutory or regulatory provision means such provision as it exists on the date this Resolution is adopted by the Board and any future amendments thereto or successor provisions thereof. Any reference to the payment of principal in this Resolution shall be deemed to include the payment of Amortization Installments. References in this Resolution to FORM OF BOND refer to the form attached to this Resolution as **Exhibit B**.

Section 1.03. Interpretations. The titles and headings of the Articles and Sections of this Resolution have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof.

END OF ARTICLE I

ARTICLE II

THE SERIES 2018B BONDS**Section 2.01. Authorization of Bonds.**

(a) Purpose; Maximum Amount. For the purposes set forth in Section 49-d-8, 49-d-9 and Section 49-d-11, and pursuant to authority granted by the Act, the negotiable general obligation bonds of the State to be known and designated as **STATE OF TEXAS WATER FINANCIAL ASSISTANCE ~~AND~~ REFUNDING BONDS, SERIES 2018B (WATER INFRASTRUCTURE FUND)**, are hereby authorized and may be issued, from time to time, for the purpose of conserving and developing the water resources of the State, to-wit, ~~(i) providing funds for the Financial Assistance Account for Water Assistance Projects, including state matching funds for federal funds provided to any state revolving fund administered by the Board under the provisions of the Texas Water Code, (ii)~~ providing funds for the refunding of the Refunded Bonds, and ~~(iii)~~ providing funds for the payment of expenses arising in connection with the issuance of the Series 2018B Bonds. The combined principal amount of all Series 2018B Bonds authorized to be issued pursuant to this Resolution shall not exceed \$_____.

(b) Delegation of Authority. As authorized by Chapter 1207 and Chapter 1371, each Authorized Representative, individually and not jointly, is hereby authorized, appointed and designated to act on behalf of the Board in selling and delivering, in one or more series, the Series 2018B Bonds and carrying out the procedures specified in this Resolution, including determining:

- (i) the date for issuance and sale, and the Dated Date, of the Series 2018B Bonds;
- (ii) the selection of the specific maturities or series (whole or part) of the Refunded Bonds to be refunded;
- (iii) the name and any special or additional series designation for the Series 2018B Bonds;
- (iv) the principal amount of Series 2018B Bonds to be sold (subject to the limitations set forth in Section 2.01(a)), as well as the principal amount of each stated maturity within the Series 2018B Bonds;
- (v) the price at which the Series 2018B Bonds shall be sold;
- (vi) the principal amount of Series 2018B Bonds to be sold as current interest bonds, if any, and the principal amount of Series 2018B Bonds to be sold as premium capital appreciation bonds, if any;
- (vii) the principal amortization schedule for the Series 2018B Bonds (including, without limitation, the designation of any of the maturities of the Series 2018B Bonds as Term Bonds and any Amortization Installments to be deposited to the credit of the Bond Payment Account relating to any Term Bond so designated);
- (viii) in accordance with the provisions of ARTICLE III hereof, the redemption features of the Series 2018B Bonds (including any associated premium);

- (ix) the rate or rates of interest to be borne by the Series 2018B Bonds;
- (x) whether to acquire a Bond Enhancement Agreement in support of all or any portion of the Series 2018B Bonds; and
- (xi) any other matters relating to the issuance, sale and delivery of the Series 2018B Bonds; all of which shall be specified in one or more Approval Certificates executed in accordance with the terms hereof and within the parameters set forth in Section 2.01(c) below.

(c) **Parameters.** The Authorized Representative may exercise any authority granted under Chapter 1207 and Chapter 1371 to effect the sale and issuance of the Series 2018B Bonds, including the refunding of any or all of the bonds included in the definition of Refundable Bonds, so long as on the date the Purchase Agreement is executed:

- (i) the net present value savings, calculated in accordance with GASB Statement No. 7, realized as a result of the refunding of the principal amount of the Refunded Bonds by the Series 2018B Bonds (aggregating all subseries of such bonds) is not less than two percent (2%);
- (ii) the maximum maturity of any Series 2018B Bonds issued hereunder shall not exceed August 1, ~~2047~~2048; and
- (iii) the true interest rate or rates applicable to any Series 2018B Bonds shall not exceed ____%; and
- (iv) the final Series 2018B Bonds issued hereunder must be sold not later than June 10, 2019 (though the closing of a particular series of Series 2018B Bonds sold in accordance with this provision may occur after such date, so long as such closing period is determined by an Authorized Representative to be of reasonable duration).

Section 2.02. Denominations, Date and Interest Rates. The Series 2018B Bonds shall be in any Authorized Denomination, shall be numbered consecutively from R-1 upward, shall be dated the date described in the Approval Certificate, and shall be in substantially the form attached hereto as **Exhibit A**. Interest on the Series 2018B Bonds shall be payable on the Interest Payment Dates. The Series 2018B Bonds shall bear interest at rates as specified in the Approval Certificate. Interest shall be payable in the manner and on the terms provided in this Resolution and the Approval Certificate. The FORM OF BOND shall be completed in accordance with the terms of the Approval Certificate to reflect the aggregate principal amount of the Series 2018B Bonds sold to the Underwriters.

Section 2.03. Maturities and Amounts. The Series 2018B Bonds shall mature on the dates and in the amounts as set forth in the principal amortization schedule contained in the Approval Certificate.

Section 2.04. Execution of Bonds. Each Series 2018B Bond shall be executed for and on behalf of the State as a general obligation of the State by having placed thereon the lithographed or printed facsimile or the manual signatures of the Chairman of the Board and the Executive Administrator, and the manually impressed or lithographed or printed facsimile seal of the Board. Lithographed or printed facsimile signatures and seal shall have the same effect as if

each Series 2018B Bond had been manually signed by such officers, and the seal had been manually impressed on each Series 2018B Bond.

In case any officer whose signature is on a Series 2018B Bond no longer holds such office at the time of authentication, or was the proper officer on the date of execution but not on the nominal date of action, the Series 2018B Bond shall nevertheless be valid.

Section 2.05. Temporary Bonds. Pending the preparation of definitive Series 2018B Bonds, the Board may execute and, upon the Board's request, the Paying Agent/Registrar shall authenticate and deliver, one or more temporary Series 2018B Bonds substantially of the tenor of the definitive Series 2018B Bonds in lieu of which they are delivered, with such appropriate insertions, omissions, substitutions and other variations, as evidenced by the execution of such temporary Series 2018B Bonds, as such officers executing such temporary Series 2018B Bonds may determine.

Until exchanged for Series 2018B Bonds in definitive form, such Series 2018B Bonds in temporary form shall be entitled to the benefit and security of this Resolution. The Board, without unreasonable delay, shall prepare, execute and deliver to the Paying Agent/Registrar, and upon the presentation and surrender of the temporary Series 2018B Bonds to the Paying Agent/Registrar, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor, definitive Series 2018B Bonds of the same maturity and aggregate principal amount, and bearing or accruing interest at the same rate as the temporary Series 2018B Bonds surrendered. The exchange shall be made without any charge to any owner of Series 2018B Bonds.

Section 2.06. Appointment and Duties of Paying Agent/Registrar.

(a) **Appointment.** The Board hereby appoints The Bank of New York Mellon Trust Company, N.A., as the initial Paying Agent/Registrar for the Series 2018B Bonds. The Board shall keep or cause to be kept at the Designated Payment/Transfer Office of the Paying Agent/Registrar books or records of the registration and transfer of the Series 2018B Bonds (the "**Registration Books**"), and the Board hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such transfers and registrations under such reasonable regulations as the Board and the Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such transfers and registrations as herein provided. It shall be the duty of the Paying Agent/Registrar to obtain from the registered owner and record in the Registration Books the address of such registered owner of each Series 2018B Bond to which payments with respect to the Series 2018B Bonds shall be mailed, as herein provided. The Board or its designee shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The Board hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Series 2018B Bonds, and to act as its agent to convert and exchange or replace Series 2018B Bonds, all as provided in this Resolution. The Paying Agent/Registrar shall keep proper records of all payments made by the Board and the Paying Agent/Registrar with respect to the Series 2018B Bonds, and of all conversions and exchanges of such Series 2018B Bonds, and all replacements of such Series 2018B Bonds, as provided in this Resolution.

(b) **Duties.** The Paying Agent/Registrar shall perform such duties as are required of the Paying Agent/Registrar hereunder and under the Paying Agent/Registrar Agreement. The Executive Administrator or the designee thereof is hereby authorized to execute and deliver for

and on behalf of the Board the Paying Agent/Registrar Agreement, substantially in the form of the agreement attached hereto as **Exhibit C**, with such changes as the Executive Administrator may approve, such approval to be conclusively evidenced by the execution and delivery of such agreement by the Executive Administrator or the designee thereof.

Section 2.07. Registration, Transfer and Exchange of Bonds.

(a) Transfer. Registration of each Series 2018B Bond may be transferred on the Registration Books only upon presentation and surrender of such Series 2018B Bond at the Designated Payment/Transfer Office of the Paying Agent/Registrar for transfer of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing the assignment of the Series 2018B Bond, or any portion thereof in any Authorized Denomination, to the assignee or assignees thereof, and the right of such assignee or assignees to have the Series 2018B Bond or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Series 2018B Bond or any portion thereof, a new substitute Series 2018B Bond or Series 2018B Bonds shall be issued in conversion and exchange therefor in the manner provided in this Section.

(b) Duty of Conversion, Exchange or Replacement. Pursuant to Chapter 1206, and particularly Subchapter B thereof, the duty of conversion and exchange or replacement of Series 2018B Bonds in the manner prescribed herein is hereby imposed upon the Paying Agent/Registrar. Each Series 2018B Bond may be converted into and exchanged for fully registered Series 2018B Bonds in the manner set forth herein. Each Series 2018B Bond issued and delivered pursuant to this Resolution, to the extent of the unpaid or unredeemed principal amount thereof, as the case may be, upon surrender of such Series 2018B Bond at the Designated Payment/Transfer Office of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, at the option of the registered owner or such assignee or assignees, as appropriate, shall be converted into and exchanged for fully registered Series 2018B Bonds in the form prescribed in the FORM OF BOND of like series, in any Authorized Denomination (subject to the requirement hereinafter stated that each substitute Series 2018B Bond shall have a single stated maturity date), as requested in writing by such registered owner or such assignee or assignees, in an aggregate principal amount equal to the unpaid or unredeemed principal amount of any Series 2018B Bond or Series 2018B Bonds, as the case may be, so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. If a portion of any Series 2018B Bond shall be redeemed prior to its scheduled maturity as provided herein, a substitute Series 2018B Bond or Series 2018B Bonds having the same maturity date, of like series and bearing or accruing interest at the same rate, in any Authorized Denomination at the written request of the registered owner, and in an aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon surrender thereof for cancellation. The Paying Agent/Registrar promptly shall cancel all Series 2018B Bonds surrendered for conversion and exchange or replacement. If any Series 2018B Bond or portion thereof is assigned and transferred or converted, each Series 2018B Bond issued in exchange therefor shall have the same principal maturity date, be of like series and bear or accrue interest at the same rate, as the Series 2018B Bond for which it is being exchanged.

(c) No Additional Actions Necessary. No additional ordinances, orders, or resolutions need be passed or adopted by the Board or any other Person so as to accomplish the foregoing conversion and exchange or replacement of any Series 2018B Bond or portion thereof, and the

Paying Agent/Registrar shall provide for the printing, execution and delivery of the substitute Series 2018B Bonds in the manner prescribed herein. All Series 2018B Bonds issued in conversion and exchange or replacement of any other Series 2018B Bond or portion thereof (i) shall be issued in fully registered form with the principal of and interest on such Series 2018B Bonds to be payable only to the registered owners thereof, (ii) may be redeemed prior to their scheduled maturities, (iii) may be transferred and assigned, (iv) may be converted and exchanged for other Series 2018B Bonds, (v) shall have the characteristics, (vi) shall be signed and sealed, and (vii) the principal thereof and interest thereon shall be payable, all if and as provided with respect to the Series 2018B Bonds, and in the manner required or indicated, in ARTICLE II of this Resolution. Each substitute Series 2018B Bond shall bear a letter and/or number to distinguish it from each other Series 2018B Bond. Each fully registered Series 2018B Bond delivered in conversion of and exchange for or replacement of any Series 2018B Bond or portion thereof as permitted or required by any provision of this Resolution shall constitute one of the Series 2018B Bonds for all purposes of this Resolution, and may again be converted and exchanged or replaced.

(d) Authentication Certificate. On each substitute Series 2018B Bond issued in conversion of and exchange for or replacement of any Series 2018B Bond or Series 2018B Bonds issued under this Resolution there shall be printed thereon a Paying Agent/Registrar's Authentication Certificate (the "**Authentication Certificate**"), in the form set forth in the FORM OF BOND. An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Series 2018B Bond, date and manually sign the Authentication Certificate, and no such Series 2018B Bond shall be deemed to be issued or Outstanding unless the Authentication Certificate is so executed. Upon the execution of the Authentication Certificate, the converted and exchanged or replaced Series 2018B Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Initial Bond which originally was delivered pursuant to this Resolution, approved by the Attorney General, and registered by the Comptroller.

(e) Restrictions on Transfer or Exchange. Neither the Board, the State nor the Paying Agent/Registrar shall be required (i) to issue, transfer, or exchange any Series 2018B Bond subject to redemption during a period beginning at the opening of business thirty (30) days before the day of the first mailing of a notice of redemption of Series 2018B Bonds and ending at the close of business on the day of such mailing or (ii) to transfer or exchange any Series 2018B Bond after it is selected for redemption, in whole or in part, prior to the redemption date; except that at the option of the registered owner of at least \$1,000,000 in principal amount of Series 2018B Bonds, the Paying Agent/Registrar shall be required to transfer or exchange any such Series 2018B Bond which has been selected in whole or in part for redemption upon surrender thereof. In such event, the Paying Agent/Registrar may make such arrangements as it deems appropriate for notation on each new Series 2018B Bond issued in exchange for or upon transfer of the Series 2018B Bond so selected for redemption of an appropriate legend to the effect that such new Series 2018B Bond has been so selected for redemption.

(f) Payment of Fees. The registered owner of any Series 2018B Bond requesting any conversion and exchange shall pay the Paying Agent/Registrar's reasonable and standard or customary fees and charges for converting and exchanging any such Series 2018B Bond or portion thereof, together with any taxes or governmental charges required to be paid with respect thereto, all as a condition precedent to the exercise of such privilege of conversion and exchange; except that in the case of the conversion and exchange of an assigned and transferred Series 2018B Bond or any portion or portions thereof in any Authorized Denomination, and in the case of the conversion and exchange of the unredeemed portion of a Series 2018B Bond which has been redeemed in part prior to maturity, as provided in this Resolution, such fees and charges will be

paid by the Board. In addition, the Board hereby covenants with the registered owners of the Series 2018B Bonds that it will pay the (i) reasonable and standard or customary fees and charges of the Paying Agent/Registrar for its services with respect to the payment of the principal of and interest on the Series 2018B Bonds, when due, and (ii) fees and charges of the Paying Agent/Registrar for services with respect to the transfer or registration of Series 2018B Bonds, and with respect to the conversion and exchange of Series 2018B Bonds solely to the extent above provided.

Section 2.08. Owners of Bonds. The Person in whose name any Series 2018B Bond shall be registered in the Registration Books at any time shall be treated as the absolute owner thereof for all purposes of this Resolution, whether such Series 2018B Bond shall be overdue, and the Board and the Paying Agent/Registrar shall not be affected by any notice to the contrary unless otherwise required by law; and payment of, or on account of, the principal of and premium, if any, and interest on any such Series 2018B Bond shall be made only to such registered owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2018B Bond to the extent of the sum or sums so paid.

Section 2.09. Damaged, Mutilated, Lost, Stolen or Destroyed Bonds.

(a) Replacement. In the event any Outstanding Series 2018B Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new Series 2018B Bond of the same principal amount, maturity date, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Series 2018B Bond, in replacement for such Series 2018B Bond in the manner hereinafter provided.

(b) Application for Replacement. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Series 2018B Bonds shall be made to the Paying Agent/Registrar. In every case of loss, theft or destruction of a Series 2018B Bond, the applicant for a replacement Series 2018B Bond shall furnish to the Board and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft or destruction of a Series 2018B Bond, the applicant shall furnish to the Board and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft or destruction of such Series 2018B Bond, as the case may be. In every case of damage or mutilation of a Series 2018B Bond, the applicant shall surrender to the Paying Agent/Registrar for cancellation the Series 2018B Bond so damaged or mutilated.

(c) Payment in Lieu of Replacement. Notwithstanding the foregoing provisions of this Section, in the event any such Series 2018B Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of, premium, if any, or interest on the Series 2018B Bond, the Board may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Series 2018B Bond) instead of issuing a replacement Series 2018B Bond, provided security or indemnity is furnished as above provided in this Section.

(d) Payment of Costs. Prior to the issuance of any replacement Series 2018B Bond, the Paying Agent/Registrar shall charge the owner of such Series 2018B Bond with all legal, printing, and other expenses in connection therewith. Every replacement Series 2018B Bond issued pursuant to the provisions of this Section by virtue of the fact that any Series 2018B Bond is lost, stolen or destroyed shall constitute a contractual obligation of the Board whether the lost, stolen, or destroyed Series 2018B Bond shall be found at any time, or be enforceable by anyone,

and shall be entitled to all the benefits of this Resolution equally and proportionately with any and all other Series 2018B Bonds duly issued under this Resolution.

(e) Legal Authority. In accordance with Chapter 1206, this Section shall constitute authority for the issuance of any such replacement Series 2018B Bond without necessity of further action by the Board of any other Person, and the duty of the replacement of such Series 2018B Bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Series 2018B Bonds in the form and manner and with the effect, as provided in Section 2.07 for Series 2018B Bonds issued in conversion and exchange for other Series 2018B Bonds.

Section 2.10. Successor Paying Agent/Registrars. The Board covenants with the registered owners of the Series 2018B Bonds that at all times while the Series 2018B Bonds are Outstanding the Board will provide a competent and legally qualified bank or trust company to act as and perform the services of Paying Agent/Registrar for the Series 2018B Bonds under this Resolution, and that the Paying Agent/Registrar will be one entity. The Board reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than sixty (60) days' written notice to the Paying Agent/Registrar. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Board covenants that promptly it will appoint a competent and legally qualified bank or trust company which shall be a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar under this Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Series 2018B Bonds, to the new Paying Agent/Registrar designated and appointed by the Board. Upon any change in the Paying Agent/Registrar, the Board promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Series 2018B Bonds, by United States mail, first-class, postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar and the Designated Payment/Transfer Office. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Resolution, and a certified copy of this Resolution shall be delivered to each Paying Agent/Registrar.

Section 2.11. Book-Entry-Only System. The Initial Bond shall be delivered to the Underwriters against payment received therefrom on the Date of Delivery. The senior managing underwriter named in Section 8.01 hereof, acting as the representative for the Underwriters, shall be required to promptly surrender the Initial Bond to the Paying Agent/Registrar for exchange. Series 2018B Bonds issued in exchange therefor shall be registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Series 2018B Bonds, and held in the custody of DTC. Unless otherwise requested by DTC, a single certificate will be issued and delivered to DTC for each maturity of the Series 2018B Bonds. Beneficial owners of Series 2018B Bonds will not receive physical delivery of Series 2018B Bond certificates except as provided hereinafter. For so long as DTC shall continue to serve as securities depository for the Series 2018B Bonds as provided herein, all transfers of beneficial ownership interests will be made by book-entry only, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of Series 2018B Bonds is to receive, hold or deliver any Series 2018B Bond certificate.

With respect to Series 2018B Bonds registered in the name of Cede & Co., as nominee of DTC, the Board and the Paying Agent/Registrar shall have no responsibility or obligation to any

DTC Participant or to any Person on whose behalf a DTC Participant holds an interest in the Series 2018B Bonds. Without limiting the immediately preceding sentence, the Board and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Series 2018B Bonds, (ii) the delivery to any DTC Participant or any other Person, other than a registered owner of the Series 2018B Bonds, as shown on the Registration Books, of any notice with respect to the Series 2018B Bonds, including any notice of redemption, and (iii) the payment to any DTC Participant or any other Person, other than a registered owner of the Series 2018B Bonds, as shown in the Registration Books, of any amount with respect to principal of or premium, if any, or interest on the Series 2018B Bonds.

Replacement Series 2018B Bonds may be issued directly to beneficial owners of Series 2018B Bonds other than DTC, or its nominee, but only in the event that: (i) DTC determines not to continue to act as securities depository for the Series 2018B Bonds (which determination shall become effective no less than ninety (90) days after written notice to such effect to the Board and the Paying Agent/Registrar); (ii) the Board has advised DTC of its determination (which determination is conclusive as to DTC and beneficial owners of the Series 2018B Bonds) that DTC is incapable of discharging its duties as securities depository for the Series 2018B Bonds; or (iii) the Board has determined (which determination is conclusive as to DTC and the beneficial owners of the Series 2018B Bonds) that the interests of the beneficial owners of the Series 2018B Bonds might be adversely affected if such book-entry-only system of transfer is continued. Upon occurrence of any of the foregoing events, the Board shall use its best efforts to attempt to locate another qualified securities depository to replace DTC. If the Board fails to locate another qualified securities depository to replace DTC, the Board shall cause to be authenticated and delivered replacement Series 2018B Bonds, in certificate form, to the beneficial owners of the Series 2018B Bonds. In the event that the Board makes the determination noted in (ii) or (iii) above (provided that the Board undertakes no obligation to make any investigation to determine the occurrence of any events that would permit the Board to make any such determination), and has made provisions to notify the beneficial owners of Series 2018B Bonds of such determination by mailing an appropriate notice to DTC, it shall cause to be issued replacement Series 2018B Bonds in certificate form to beneficial owners of the Series 2018B Bonds as shown on the records of DTC provided to the Board.

Whenever, during the term of the Series 2018B Bonds, the beneficial ownership thereof is determined by a book entry at DTC, the requirements in this Resolution of holding, delivering or transferring Series 2018B Bonds shall be deemed modified to require the appropriate Person or entity to meet the requirements of DTC as to registering or transferring the book entry to produce the same effect.

If at any time, DTC ceases to hold the Series 2018B Bonds as securities depository, all references herein to DTC shall be of no further force or effect.

Section 2.12. All Bonds On Parity. No Bond shall be entitled to priority of payment over any other Bond in the application of any moneys made available by law for the payment thereof, irrespective of the fact that some of the Bonds may have been or may be delivered prior to the delivery of other Bonds, it being the intent of this Resolution that all Bonds shall rank equally.

END OF ARTICLE II

ARTICLE III

REDEMPTION OF BONDS BEFORE MATURITY

Section 3.01. Limitation on Redemption. Unless otherwise provided in the Approval Certificate, the Series 2018B Bonds shall be subject to redemption before scheduled maturity only as provided in this ARTICLE III. Any provision of this ARTICLE III, including, without limitation, any provisions relating to the method or selection of Series 2018B Bonds for redemption may be modified in an Approval Certificate.

Section 3.02. Optional and Mandatory Redemption. The Series 2018B Bonds shall be subject to optional and mandatory sinking fund redemption by the Board on behalf of the State prior to maturity in the manner and at the redemption price as described in the Approval Certificate. The FORM OF BOND shall be completed upon the execution of the Approval Certificate to reflect the redemption provisions, if any, applicable to the Series 2018B Bonds as provided for in the Approval Certificate.

~~**Section 3.03. Extraordinary Mandatory Redemption.** To the extent necessary to comply with the provisions of Section 149(f) of the Code, Series 2018B Bonds may be subject to extraordinary mandatory redemption, on any date which is not earlier than the final day of either the One Year Computation Period or the Three Year Computation Period, as the case may be, in an amount equal to the Computation Amount applicable to the One Year Computation Period or the Three Year Computation Period, as the case may be, plus accrued interest to the date of such extraordinary mandatory redemption, together with a premium, if any, in the manner provided in the Approval Certificate and as further described in the FORM OF BOND. The foregoing notwithstanding, Series 2018B Bonds shall not be subject to such extraordinary mandatory redemption if the Board obtains an opinion of nationally recognized bond counsel to the effect that the failure by the Board to cause such extraordinary mandatory redemption to occur will not adversely affect the excludability of interest on such Series 2018B Bonds from gross income for federal income tax purposes.~~

Section 3.03, Section 3.04. Notice of Redemption.

(a) The Paying Agent/Registrar shall record in the Registration Books all such redemptions of principal of the Series 2018B Bonds or any portion thereof. Notice of any redemption of the Series 2018B Bonds shall be given to the registered owners thereof by the Paying Agent/Registrar in the manner provided in the FORM OF BOND.

(b) In addition to the manner of providing notice of redemption of the Series 2018B Bonds as set forth in the FORM OF BOND, the Paying Agent/Registrar shall give notice of redemption of the Series 2018B Bonds by United States mail, first-class postage prepaid, at least thirty (30) days prior to a redemption date to each registered securities depository and to the MSRB. Any notice sent to the registered securities depositories or the MSRB shall be sent so that they are received at least two (2) days prior to the general mailing, publication or electronic posting date of such notice. The Paying Agent/Registrar shall also send a notice of redemption to the registered owner of any Series 2018B Bonds who has not sent the Series 2018B Bonds in for redemption sixty (60) days after the redemption date. The failure to send, mail or receive any such notice described in this clause, 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 2018B Bond.

(c) The Board reserves the right to give notice of its election to optionally redeem Series 2018B Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of monies and/or Defeasance Securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the Board retains the right to rescind such notice at any time prior to the scheduled redemption date if the Board delivers a certificate or other direction to the Paying/Agent Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice of redemption shall be of no effect if such monies and/or Defeasance Securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission to the affected Owners. Any Series 2018B Bonds subject to conditional redemption where redemption has been rescinded shall not constitute an event of default and shall remain outstanding.

(d) Each redemption notice, whether required in the FORM OF BOND or otherwise by this Resolution, shall contain a description of the Series 2018B Bonds to be redeemed, including the complete name of the Series 2018B Bonds, the series, the date of issue, the interest rate, the maturity date, the CUSIP number, if any, the amounts called of each Series 2018B Bond, the publication and mailing date for the notice, the date of redemption, the redemption price, the name of the Paying Agent/Registrar and the address at which the Series 2018B Bond may be redeemed including a contact person and telephone number.

(e) All redemption payments made by the Paying Agent/Registrar to the registered owners of the Series 2018B Bonds shall include a CUSIP number relating to each amount paid to such registered owner.

(f) Should notice to call Series 2018B 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 Paying Agent/Registrar with amounts sufficient to effect on the date fixed for redemption the payment of the entire redemption price of the Series 2018B Bonds so called for redemption, no Series 2018B Bond shall be redeemed on the date fixed for redemption, and the notice of redemption for such Series 2018B Bonds shall be null and void. Such occurrence shall not result in default of the Board's payment obligations on the Series 2018B Bonds as provided herein or in the Series 2018B Bonds.

Section 3.04.~~Section 3.05.~~ Payment Upon Redemption. (a) By each redemption date, the Board shall deposit with the Paying Agent/Registrar money sufficient to pay all amounts due on the redemption date.

(b) Upon presentation and surrender of any Bond called for redemption at the designated office of the Paying Agent/Registrar on or after the date fixed for redemption, the Paying Agent/Registrar shall pay the principal of and accrued interest on such Bond to the date of redemption from the money provided for that purpose.

Section 3.05.~~Section 3.06.~~ Effect of Redemption. (a) Notice of redemption having been given, and due provisions having been made for payment, the Series 2018B Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption; thereafter, such Series 2018B Bonds or portions thereof shall cease to bear interest from the date fixed for redemption, whether or not such Series 2018B Bonds are presented and surrendered for payment on such date.

(b) If the Board shall fail to make provision for the payment of all sums due on a redemption date, then any Bond or portion thereof called for redemption shall continue to bear interest until due provision is made for the payment of the same by the Board.

END OF ARTICLE III

ARTICLE IV**FORM OF BONDS AND CERTIFICATES**

Section 4.01. Form of Bond and Certificates. The form of all Series 2018B Bonds, including the form of the Authentication Certificate and the form of Assignment to be printed on each of the Series 2018B Bonds, and the form of registration certificate of the Comptroller that shall accompany the Initial Bond, shall be substantially in the form as set forth in the FORM OF BOND attached hereto as **Exhibit B**, with such appropriate variations, omissions or insertions as are permitted or required by this Resolution or the Approval Certificate. The Series 2018B 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 of the American Bankers Association) and such legends and endorsements thereon as may, consistent herewith, be approved by the Chairman of the Board or the Authorized Representative.

Section 4.02. Opinion of Bond Counsel. A copy of the approving opinion of Norton Rose Fulbright US LLP, bond counsel to the Board in connection with the issuance of the Series 2018B Bonds, in the form in which it is to be delivered upon payment for the Series 2018B Bonds, either will be printed on the reverse side of or otherwise attached to the Series 2018B Bonds or will be delivered to DTC if the Series 2018B Bonds are held in book-entry only form; and the use of the lithographed or printed facsimile signatures of the Executive Administrator to certify to the correctness of such copy is hereby authorized.

Section 4.03. Printing of Statement of Insurance. The Board hereby authorizes the printer of the Series 2018B Bonds to print thereon any statement of insurance with respect to the Series 2018B Bonds furnished by any municipal bond insurance company insuring the Series 2018B Bonds.

END OF ARTICLE IV

ARTICLE V

**SECURITY AND PAYMENT OF BONDS;
ESTABLISHMENT AND FLOW OF FUNDS**

Section 5.01. General Obligations. The Bonds shall constitute general obligations of the State pursuant to Section 49-d-8, 49-d-9 and 49-d-11, and for the faithful performance in proper time and manner of each official or other act required and necessary to provide for the prompt payment of principal of and premium, if any, and interest on each of the Bonds when due, the full faith and credit of the State and, in the manner herein provided, the resources of the Board are hereby pledged.

Section 5.02. Confirmation of Texas Water Development Fund II. It is found, determined and confirmed that Development Fund II has been established in the State Treasury. Pursuant to the Act, Development Fund II shall contain the State Participation Account, the Economically Distressed Areas Program Account and the Financial Assistance Account. In addition, Development Fund II may contain such additional accounts as the Board determines are necessary and convenient for the administration of Development Fund II.

Section 5.03. Confirmation of Constitutional and Statutory Funds.

(a) Section 49-d-8 and Legislative Powers. All Bond proceeds (other than proceeds to be used to refund outstanding bonds or other obligations) shall be deposited in the State Treasury to the credit of the Financial Assistance Account. Section 49-d-8 provides that accounts within Development Fund II shall consist of certain identified items, and Subsection (g) of Section 49-d-8 further states that:

“Section 49-d-8 being intended only to establish a basic framework and not to be a comprehensive treatment of the Texas Water Development Fund II, there is hereby reposed in the legislature full power to implement and effectuate the design and objects of Section 49-d-8, including the power to delegate such duties, responsibilities, functions, and authority to the Texas Water Development Board as it believes necessary.”

(b) Financial Assistance Account. Consistent with the Act and Section 49-d-8, the “Texas Water Development Fund II Water Financial Assistance Account” (the “**Financial Assistance Account**”) shall receive such moneys as described below, and the moneys therein shall be used as described below:

(i) Money and Assets Attributable to Bonds designated by the Board as issued for Water Assistance Projects;

(ii) payments received under a Bond Enhancement Agreement with respect to Bonds designated by the Board as issued for Water Assistance Projects;

(iii) investment income earned on money on deposit in the Financial Assistance Account; and

(iv) any other funds, regardless of their source, that the Board directs be deposited to the credit of the Financial Assistance Account.

Except for those moneys that the Board determines are unavailable for such purpose, moneys on deposit in the Financial Assistance Account shall be used to pay principal of and interest on the Bonds. The Board may use moneys on deposit in the Financial Assistance Account for Water Assistance Projects in any manner that the Board determines necessary for the administration of the Financial Assistance Account, consistent with the provisions of Section 49-d-8 and the laws of the State, including specifically the Act, and this Resolution. Moneys on deposit in the Financial Assistance Account may also be used for payment of the expenses of the Board incurred in connection with the issuance of the Bonds and the administration of Development Fund II.

(c) Bond Payment Account. The Board has established in the State Treasury the “Texas Water Development Fund II Water Financial Assistance Bond Payment Account” (the “**Bond Payment Account**”), as a special account into which shall be deposited in the manner, within the time limits, and from sources as prescribed in Sections 5.04 and 5.05, amounts sufficient to pay when due the principal of and premium, if any, and interest payable on the Bonds, including, to the extent determined by the Board, amounts sufficient to make payments, if any, by the Board under one or more Bond Enhancement Agreements with respect to principal of or interest on such Bonds.

(d) Water Infrastructure Fund. The Water Infrastructure Fund was previously established as a special fund in the State Treasury to be administered by the Board under the provisions of, and rules promulgated by the Board under, Subchapter Q. Money in the Water Infrastructure Fund may be used to pay for the implementation of water projects recommended through the state and regional water planning processes under State law, specifically Sections 16.051 and 16.053, Texas Water Code, and for such other purposes as authorized by State law. Section 15.973, Texas Water Code, provides that the Water Infrastructure Fund consists of:

- (i) appropriations from the legislature;
- (ii) any other fees or sources of revenue that the legislature may dedicate for deposit to the Water Infrastructure Fund;
- (iii) repayments of loans made from the Water Infrastructure Fund;
- (iv) interest earned on money credited to the Water Infrastructure Fund;
- (v) depository interest allocable to the Water Infrastructure Fund;
- (vi) money from gifts, grants, or donations to the Water Infrastructure Fund;
- (vii) money from revenue bonds or other sources designated by the Board;
- (viii) proceeds from the sale of Political Subdivision Bonds or obligations held in the Water Infrastructure Fund and not otherwise pledged to the discharge, repayment, or redemption of revenue bonds or other bonds, the proceeds of which were placed in the Water Infrastructure Fund; and
- (ix) money disbursed to the Water Infrastructure Fund from the state water implementation fund for Texas as authorized by Section 15.434 Texas Water Code.

(e) Water Infrastructure Fund Bond Payment Account. The Board has established within the Water Infrastructure Fund the Water Infrastructure Fund Bond Payment Account, as a special account into which shall be deposited moneys in the Water Infrastructure Fund designated by the Board as received from repayments of loans made from the Water Infrastructure Fund, and moneys appropriated by the General Appropriations Act to pay debt service on Water Infrastructure Fund Bonds, in amounts sufficient to pay when due the principal of and premium, if any, and interest payable on the Water Infrastructure Fund Bonds, including, to the extent determined by the Board, amounts sufficient to make payments by the Board under one or more Bond Enhancement Agreements with respect to principal or interest on such Water Infrastructure Fund Bonds. Moneys on deposit to the credit of the Water Infrastructure Fund Bond Payment Account shall be transferred to the Bond Payment Account within the time limits prescribed in Section 5.04.

Section 5.04. Flow of Funds For Debt Service.

(a) Transfers for Payments of Bonds. While and so long as any Bond is Outstanding, on or before the date interest or interest and principal on the Bonds is scheduled to become due and payable, the Board shall cause to be transferred, from the moneys available for such purpose in the Financial Assistance Account, to the Bond Payment Account (including, with respect to the Water Infrastructure Fund Bonds, transfers from moneys in the Water Infrastructure Fund Bond Payment Account to the Bond Payment Account) an amount which shall be sufficient to pay the principal of and premium, if any, and interest on the Bonds, including, to the extent determined by the Board, an amount which shall be sufficient to make payments by the Board under one or more Bond Enhancement Agreements with respect to principal of or interest on such Bonds, when such interest or principal and interest, and premium, if any, or such payments, if any, become due and payable, with allowance being made for moneys currently on deposit in the Bond Payment Account and available to make such payments.

(b) Notice to Comptroller of Insufficient Funds. If the Executive Administrator or the designee thereof determines within fifteen (15) days of an interest or principal payment date that the money available in the Financial Assistance Account or the Water Infrastructure Bond Payment Account for transfer to the Bond Payment Account, as described in subsection (a) of this Section 5.04, is not sufficient to pay the principal of, premium, if any, and interest on the Bonds which then are Outstanding and are scheduled to be due and payable on such interest or principal payment date, including, to the extent determined by the Board, an amount which shall be sufficient to make payments by the Board under one or more Bond Enhancement Agreements with respect to principal of or interest on such Bonds, it is hereby made the duty of the Executive Administrator or the designee thereof to request the Comptroller to deposit in the Bond Payment Account out of the first moneys coming into the State Treasury, not later than three (3) days prior to such interest or principal payment date, or as soon thereafter as sufficient money shall have been received in the State Treasury, an amount sufficient so that the total amount in the Bond Payment Account will be sufficient to pay the principal, premium, if any, and interest to mature and come due on such interest or principal payment date, or to make any payments by the Board, to the extent determined by the Board, under any Bond Enhancement Agreement with respect to principal of or interest on such Bonds, and to pay all collection and exchange charges in connection therewith.

(c) Use of Remaining Moneys. After making the transfers for the benefit of the Bond Payment Account as provided above in this Section, other available moneys remaining in the

Financial Assistance Account may, at the direction of the Board, be used for all of the purposes for which the Board may expend moneys in the Financial Assistance Account under Section 49-d-8-8: provided, however, that repayments of principal and interest from loans made to Political Subdivisions from the Water Infrastructure Fund not otherwise needed as a source of revenue to pay the principal of, premium, if any, and interest on the Water Infrastructure Bonds shall, at the direction of the Board, be retained in the Water Infrastructure Fund and be used for the purposes for which the Board may expend moneys under Subchapter Q.

(d) Bond Enhancement Agreement. Payments to be made by the Board under the terms of a Bond Enhancement Agreement shall be governed by the resolution adopted by the Board authorizing the execution and delivery of such Bond Enhancement Agreement.

(e) Transfers Upon Board Resolution. Anything contained in this Section to the contrary notwithstanding, money in the Financial Assistance Account representing proceeds from a series of Bonds, prepayments of financial assistance provided from the Financial Assistance Account, or proceeds from the sale or other disposition of the Board's rights to receive repayment of such financial assistance shall not be available for transfer to the Bond Payment Account unless by resolution the Board specifically authorizes the transfer of any such proceeds or prepayments so identified in said resolution to the Bond Payment Account. Proceeds from the Series 2018B Bonds shall be deposited to the Bond Payment Account to the extent specified in the Approval Certificate.

Section 5.05. Constitutional Provisions for Debt Payment. The Board recognizes the absolute and ultimate obligation of the State to provide during each Fiscal Year all money necessary for the payment of the principal of and premium, if any, and interest on the Bonds, including payments by the Board under one or more Bond Enhancement Agreements with respect to principal of or interest on such Bonds, when such interest or principal and interest become due, out of the first moneys coming into the State Treasury, in such Fiscal Year, not otherwise appropriated by the State Constitution, as set forth in Subsection (e) of Section 49-d-8, as follows:

“... If there is not enough money in any account available to pay the principal of and interest on the general obligation bonds issued for such account, including money to make payments by the Texas Water Development Board under a bond enhancement agreement as authorized by law with respect to principal of or interest on such bonds, there is appropriated out of the first money coming into the state treasury in each fiscal year not otherwise appropriated by this constitution an amount that is sufficient to pay the principal of and interest on such general obligation bonds that mature or become due during that fiscal year or to make bond enhancement payments with respect to those bonds.”

Section 5.06. Deposit and Transfer of Funds - Duties of Comptroller. The Comptroller is hereby authorized and directed to make the deposits and transfers required under all provisions of the Board resolutions authorizing the Bonds, including this Resolution. The Comptroller is hereby authorized and directed to do all things necessary or convenient to make current funds available at the place of payment for the Bonds (including the Designated Payment/Transfer Office of the Paying Agent/Registrar for the Series 2018B Bonds) to pay principal of and interest on all Bonds as they mature and come due and to provide such current funds as are required for the redemption thereof prior to maturity, or to make any payments under one or more Bond Enhancement Agreements with respect to principal or interest on such Bonds, all in accordance with their respective authorizing resolution. It is made the duty of the Comptroller to make such

deposits and transfers as are required in instances wherein the Board exercises its option to call Bonds for payment prior to maturity. Remittances to the place of payment for the Bonds (including the Paying Agent/Registrar for the Series 2018B Bonds) of money for payment of principal and interest or for redemption of Bonds must be made in accordance with the provisions hereof.

Section 5.07. Payment of Bonds. The Board hereby covenants that it shall establish procedures with the Comptroller whereby sufficient moneys shall be withdrawn from the Bond Payment Account and forwarded to the place of payment for the Bonds (including the Paying Agent/Registrar for the Series 2018B Bonds) for the payment of interest on and principal of the Bonds, and any premium thereon, becoming due on each interest or principal and interest payment date. The Board further covenants that it shall establish procedures with the Comptroller whereby sufficient moneys shall be withdrawn from the Bond Payment Account and forwarded to the place of payment for the payments, if any, to be made under one or more Bond Enhancement Agreements with respect to the principal or interest on such Bonds. In addition, the Board covenants that such moneys shall be forwarded to the place of payment for the Bonds (including the Designated Payment/Transfer Office of the Paying Agent/Registrar for the Series 2018B Bonds), or the place of payment for such payments, if any, to be made under any such Bond Enhancement Agreement, no later than each such interest or principal payment date.

Section 5.08. Cooperation with State Officers. It is the duty of the Board, its officers, employees and agents (who are hereby so authorized and directed) to cooperate with and aid the Comptroller by calculating the amounts to be deposited in, or transferred to, the appropriate accounts and in ascertaining the amounts to be remitted to the place of payment for the Bonds (including the Designated Payment/Transfer Office of the Paying Agent/Registrar for the Series 2018B Bonds), or the place of payment for such payments, if any, to be made under any such Bond Enhancement Agreement.

Section 5.09. Investment of Funds. All money in Development Fund II and the accounts created therein that is not immediately committed to the purposes thereof or the payment of the Bonds issued for any such account may be invested by the Board in Eligible Investments, and the Board may sell any Eligible Investment at the governing market rate.

END OF ARTICLE V

ARTICLE VI

COVENANTS AND REMEDIES

Section 6.01. Special Covenant. The Board covenants that it will faithfully and promptly deposit into the Financial Assistance Account all money received from the repayment of obligations acquired from Political Subdivisions with moneys from the Financial Assistance Account.

Section 6.02. Covenants to Maintain Tax-Exempt Status.

(a) **Definitions.** When used in this Section, the following terms have the following meanings:

“**Closing Date**” means the date on which the ~~Common Issue~~[2018B](#) Bonds are first authenticated and delivered to the initial purchasers against payment therefor.

“**Computation Date**” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“**Gross Proceeds**” means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the ~~Common Issue~~[2018B](#) Bonds.

“**Investment**” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“**Nonpurpose Investment**” means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the ~~Common Issue~~[2018B](#) Bonds are invested and which is not acquired to carry out the governmental purposes of the ~~Common Issue~~[2018B](#) Bonds.

“**Rebate Amount**” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“**Regulations**” means any proposed, temporary, or final Income Tax Regulations issued pursuant to Sections 103 and 141 through 150 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to the ~~Common Issue~~[2018B](#) Bonds. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

“**Yield**” of

(i) any Investment has the meaning set forth in Section 1.148-5 of the Regulations; and

(ii) the ~~Common Issue~~[2018B](#) Bonds has the meaning set forth in Section 1.148-4 of the Regulations.

(b) **Not to Cause Interest to Become Taxable.** The Board shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition,

construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which if made or omitted, respectively, would cause the interest on any ~~Common Issue~~2018B Bond to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Board receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any ~~Common Issue~~2018B Bond, the Board shall comply with each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except as permitted by section 141 of the Code and the Regulations and rulings thereunder, the Board shall at all times prior to the last stated maturity of the ~~Common Issue~~2018B Bonds:

(1) take any action necessary to assure that state or local governments exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the ~~Common Issue~~2018B Bonds (including property financed or refinanced with Gross Proceeds of the Refunded Bonds), and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(2) take any action necessary to assure that state or local governments do not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the ~~Common Issue~~2018B Bonds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds (including property financed or refinanced with Gross Proceeds of the Refunded Bonds), other than taxes of general application within the Board or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan. Except to the extent permitted by section 141 of the Code and the Regulations and rulings thereunder, the Board shall not use Gross Proceeds of the ~~Common Issue~~2018B Bonds and shall take any action necessary to assure that Gross Proceeds of the ~~Common Issue~~2018B Bonds are not used to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be "loaned" to a person or entity if: (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

(e) Allocation of, and Limitation on, Expenditures for Loans to Political Subdivisions. The Board shall account for the expenditure of the proceeds from the sale of the ~~Common Issue~~2018B Bonds and any investment earnings thereon to be used for the purposes described in Section 2.01 on its books and records in accordance with the requirements of the Code. The Board shall take steps to assure that the proceeds of each loan of Gross Proceeds to Political

Subdivisions are used and invested in a manner consistent with the Board's covenants in this Section 6.02, including obtaining from each borrower representations and covenants with respect to compliance with the requirements applicable to tax-exempt obligations under the Code and the Regulations, and receiving a legal opinion from legal counsel to each borrower to the effect that the interest on such loan is excludable from gross income for federal income tax purposes pursuant to section 103 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 the ~~Common Issue~~2018B Bonds.

(f) Disposition of Loans to Political Subdivisions. Loans to Political Subdivisions 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 the ~~Common Issue~~2018B Bonds, the proceeds of which were used to make such loans. The Board shall assure that Political Subdivisions, or any related persons thereto, will be prohibited from purchasing the ~~Common Issue~~2018B Bonds or a portion thereof in an amount related to the amount of the loan to be acquired by the Board from any such Political Subdivision.

(g) Not to Invest at Higher Yield. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the Board shall not at any time prior to the final stated maturity of the ~~Common Issue~~2018B Bonds directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, exceeds the Yield of the ~~Common Issue~~2018B Bonds.

(h) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Regulations and rulings thereunder, the Board shall not take or omit to take any action which would cause the ~~Common Issue~~2018B Bonds to be federally guaranteed within the meaning of section 149(b) of the Code and the Regulations and rulings thereunder.

(i) Information Report. The Board shall timely file the information required by section 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(j) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Regulations and rulings thereunder:

(1) The Board shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last outstanding ~~Common Issue~~2018B Bond is discharged.

(2) Not less frequently than each Computation Date, the Board shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Regulations and rulings thereunder. The Board shall maintain such calculations with its official transcript of proceedings relating to the issuance of the ~~Common Issue~~2018B Bonds until six years after the final Computation Date.

(3) As additional consideration for the purchase of the ~~Common Issue~~2018B Bonds by the Purchasers and the loan of the money represented thereby and in order to induce such purchase by measures designed to insure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the Board shall pay to the United States the amount that when added to the future value of previous rebate payments made for the ~~Common Issue~~2018B Bonds equals (i) in the case of a Final Computation Date as defined in Section 1.148-3(e)(2) of the Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by Section 148(f) of the Code and the Regulations and rulings thereunder. In order to facilitate compliance with this covenant, a "Rebate Fund" is hereby established by the Board for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other Person, including, without limitation, any bondholder. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(4) The Board shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3), and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under Section 1.148-3(h) of the Regulations.

(k) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the Board shall not, at any time prior to the earlier of the Stated Maturity or final payment of the ~~Common Issue~~2018B Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to Subsection (j) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of the ~~Common Issue~~2018B Bonds not been relevant to either party.

(l) Costs of Issuance. Payment of costs of issuance on the ~~Common Issue~~2018B Bonds will not be contingent and at least 95 percent of the reasonably expected costs of issuance of the ~~Common Issue~~2018B Bonds will be paid no later than 180 days after the Closing Date.

(m) Elections. The Board hereby directs and authorizes the Executive Administrator and the Chief Financial Officer of the Board, either or any combination of them, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the ~~Common Issue~~2018B Bonds, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document.

(n) Current Refunding. The Series 2018B Bonds are being issued ~~in part~~ to pay and discharge in full the Refunded Bonds and such payment of the Refunded Bonds will occur within ninety (90) days after the issuance of the Series 2018B Bonds.

Section 6.03. Creation of Accounts and Subaccounts. The Board covenants that it will maintain within the funds and accounts described in Section 5.03 such accounts and subaccounts as the Board, in cooperation with the Comptroller, determines necessary for the

convenient and efficient administration of such funds and accounts so as not to commingle moneys derived from the issuance of or dedicated to the payment of bonds or other obligations issued by the Board, the interest on which is exempt from federal income taxation under the applicable provisions of the Code.

Section 6.04. Remedies of Bondholders. All rights available to the owners of the Bonds under the Constitution and the laws of the State, including, without limitation, Section 17.970, Texas Water Code, to compel the performance of their official duties by the Board, its officers and employees, and by other officers of the State to the end that the principal of and interest on the Bonds may be paid promptly, are hereby recognized.

Section 6.05. Bond Enhancement Agreements. Pursuant to authority granted to the Board by Section 17.954, Texas Water Code, the Board reserves the right at any time and from time to time to enter into one or more Bond Enhancement Agreements that the Board hereafter determines to be necessary or appropriate to place the obligation of the Board, as represented by the Series 2018B Bonds, in whole or in part, on the interest rate, currency, cash flow, or other basis desired by the Board.

END OF ARTICLE VI

ARTICLE VII

SUPPLEMENTS AND AMENDMENTS**Section 7.01. Amendment of Resolution with Consent of Registered Owners.**

(a) Amendments Requiring Consent. The registered owners of Series 2018B Bonds aggregating in principal amount 51% of the aggregate principal amount or maturity amount, as the case may be, of the Series 2018B Bonds at the time Outstanding (but not including in any case Series 2018B Bonds which may then be held or owned by or for the account of the Board) shall have the right from time to time to approve an amendment of this Resolution which may be deemed necessary or desirable by the Board; *provided, however*, that nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions contained in this Resolution or in the Series 2018B Bonds so as to:

- (i) make any change in the maturity of any of the Series 2018B Bonds;
- (ii) reduce the rate of interest borne by any of the Series 2018B Bonds;
- (iii) reduce the principal amount or maturity amount, as applicable, payable on any of the Series 2018B Bonds;
- (iv) modify the terms of payment of principal of or interest on any Series 2018B Bond, or impose any conditions with respect to such payment;
- (v) change the minimum percentage of the principal amount or maturity amount, as the case may be, of the Series 2018B Bonds necessary for consent to such amendment; or
- (vi) affect the rights of the registered owners of less than all of the Series 2018B Bonds then Outstanding;

unless such amendment or amendments be approved by the registered owners of all of the Series 2018B Bonds at the time Outstanding.

(b) Notice. If at any time the Board shall desire to amend this Resolution under this Section, the Board shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in the City of New York, New York, or the City of Austin, Texas, once during each calendar week for at least four (4) successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of the Board and the designated office of the Paying Agent/Registrar for inspection by all registered owners of Series 2018B Bonds. Such publication is not required, however, if notice in writing is given to each registered owner.

(c) Adoption of Amendatory Resolution. Whenever at any time, within one (1) year from the date of this publication of said notice or other service of written notice, the Board shall receive an instrument or instruments executed by the registered owners of at least 51% in aggregate principal amount or maturity amount, as the case may be, of Series 2018B Bonds then Outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the

form of the copy thereof on file with the Paying Agent/Registrar, the Board may adopt the amendatory resolution in substantially the same form.

(d) Effectiveness of Consents. Any consent given by the registered owner of a Series 2018B Bond pursuant to the provisions of this Resolution shall be irrevocable for a period of six (6) months from the date of the first publication or mailing of the notice provided for in this Resolution, and shall be conclusive and binding upon all future registered owners of the same Series 2018B Bond during such period. Such consent may be revoked at any time after six (6) months from the date of the first publication or mailing of such notice by the registered owner who gave such consent, or by a successor in title, by filing notice of such revocation with the Paying Agent/Registrar and the Board, but such revocation shall not be effective if the registered owners of 51% in aggregate principal amount or maturity amount, as applicable, of the Series 2018B Bonds Outstanding as in this Section defined have, prior to the attempted revocation, consented to and approved the amendment.

(e) Proof of Ownership. For the purposes of this Section, proof of ownership of any Series 2018B Bond shall be established by the registration of any such Series 2018B Bond on the Registration Books kept and maintained by the Paying Agent/Registrar.

Section 7.02. Amendment of Resolution Without Consent of Registered Owners

(a) Amendments Not Requiring Consent. The foregoing provisions of this ARTICLE VII notwithstanding, the Board may, without the consent of the registered owners, pursuant to an amendatory resolution, from time to time:

(i) impose conditions or restrictions additional to, but not in diminution of, those contained in this Resolution, respecting the issuance of Bonds;

(ii) undertake covenants additional to but not inconsistent with those contained in this Resolution;

(iii) correct any ambiguity or correct or supplement any inconsistent or defective provision contained in this Resolution or any amendatory resolution;

(iv) adopt amendments to this Resolution that provide for the payment of principal of and interest on the Bonds or the payment of administrative expenses of the Board from Bond proceeds; or

(v) adopt amendments to this Resolution (including specifically, without limitation, amendments under authority of Section 6.02 and 9.03) that, in the opinion of nationally-recognized bond counsel acceptable to the Board, do not adversely affect the registered owners.

(b) Specific Amendments not Requiring Consent. In addition to the foregoing, the Board expressly reserves the right, without prior notice to or consent from the registered owners of the Bonds, to amend the provisions of ARTICLE V of this Resolution to reflect subsequent amendments to the State Constitution and the Act, including, without limitation, amendments altering:

(i) the administration of Development Fund II;

- (ii) the accounts within Development Fund II;
- (iii) the deposit or application of moneys received by the Board as repayments of loans to Political Subdivisions and interest on those loans, or proceeds from the sale, transfer or lease of facilities held for any account within Development Fund II;
- (iv) the use of the proceeds of the Bonds;
- (v) the rights, duties and obligations of the Comptroller as specified in ARTICLE V;
- (vi) the procedure for payment of the Bonds;
- (vii) the payment of expenses of administering Development Fund II and other authorized expenses of the Board; or
- (viii) the administration of the Water Infrastructure Fund;

provided, however, that such amendments to this Resolution can be made only if:

(A) the Board receives an opinion of nationally-recognized bond counsel acceptable to the Board to the effect that such amendments comply with the Act, that the Bonds continue to be general obligations of the State and the State Constitution provides for appropriation out of the first money coming into the State Treasury in each Fiscal Year, not otherwise appropriated by the State Constitution, of an amount sufficient to pay the principal of and interest on the Bonds that mature or become payable during that Fiscal Year, to the extent the same are not otherwise paid from funds pledged to their payment;

(B) bond counsel acceptable to the Board renders an opinion substantially to the effect that any such amendment will not adversely affect the excludability of interest on any tax-exempt Bonds from gross income for federal income tax purposes; and

(C) each nationally-recognized securities rating agency that issued a rating at the time the Bonds were initially delivered to the underwriters thereof and that has a then existing rating thereon confirms in writing that subsequent to any such amendment, the Bonds will continue to be rated as general obligation bonds of the State.

(c) Notice. If the Board so amends this Resolution as provided in subsection (b) above, it shall cause notice of such amendment to be published one (1) time in a financial newspaper or journal of general circulation in the City of New York, New York, or the City of Austin, Texas. Such notice shall contain a summary of the amendatory language, recite that the conditions set forth in clauses (A), (B) and (C) of subsection (b) have been satisfied, and recite the effective date of such amendment. Such notice shall be published within thirty (30) days of the effective date of such amendment as set forth in such notice. Such notice shall state that a copy thereof is on file at the principal office of the Board for inspection. Such publication is not required, however, if written notice is given to each registered owner of the Bonds.

Section 7.03. Effect of Amendatory Resolutions. Upon the adoption of any amendatory resolution pursuant to the provisions of this Section, this Resolution shall be deemed to be amended in accordance with such amendatory resolution, and the respective rights, duties and obligations of the Board under this Resolution and all the registered owners of Outstanding Series 2018B Bonds shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such amendments.

Section 7.04. Bonds May Bear Notation. Series 2018B Bonds authenticated and delivered after the execution of any amendatory resolution pursuant to this ARTICLE VII may bear a notation in form approved by the Paying Agent/Registrar as to any matter provided for in such amendatory resolution. If the Board or the Paying Agent/Registrar shall so determine, new Series 2018B Bonds so modified as to conform, in the opinion of the Board and the Paying Agent/Registrar, to any such amendatory resolution may be prepared and executed by the Board and authenticated and delivered by the Paying Agent/Registrar in exchange for the Series 2018B Bonds then Outstanding.

END OF ARTICLE VII

ARTICLE VIII**PROVISIONS CONCERNING SALE OF BONDS****Section 8.01. Issuance and Sale of Bonds.**

(a) Approval Certificate. An Authorized Representative, acting for and on behalf of the Board, shall approve, execute and deliver one or more Approval Certificates, which completed and executed Approval Certificates shall evidence the sale (including the date of such sale) of a series of Series 2018B Bonds by the Board to the Underwriters. The Approval Certificate shall contain a finding substantially to the effect that based on recommendations made to the Authorized Representative by the financial advisor to the Board, the terms of the sale of the Series 2018B Bonds were the most advantageous to the Board reasonably obtained, and the sale of the Series 2018B Bonds is in the best interests of the Board.

(b) Underwriters. ~~Ramirez~~Piper Jaffray & Co., ~~Inc.~~ is hereby designated as the senior managing underwriter for the Underwriters. The Authorized Representative, acting for and on behalf of the Board, shall select such additional investment banking firms as deemed appropriate to assure that the Series 2018B Bonds are sold on terms advantageous to the Board.

(c) Purchase Agreement. The Purchase Agreement shall be in substantially the form utilized in connection with the sale of Bonds previously issued by the Board to finance Water Assistance Projects. A Purchase Agreement shall contain the terms of the sale of the Series 2018B Bonds, as negotiated by the Authorized Representative in accordance with the terms hereof. Each Authorized Representative is hereby authorized to execute the Purchase Agreement for and on behalf of the Board. An Authorized Representative's approval of a Purchase Agreement shall be conclusively evidenced by the execution thereof. It is hereby officially found, determined, and declared that the terms of this sale were and are to be negotiated under authority granted by Section 17.955, Texas Water Code.

(d) Ratings. No Series 2018B Bonds shall be delivered unless prior to delivery, the particular series of Series 2018B Bonds shall have been rated by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for long term obligations, as required by Chapter 1371.

(e) Payment of Attorney General Fee. The Board hereby authorizes the payment of the fee of the Attorney General for the examination of the proceedings relating to the issuance of the Series 2018B Bonds, in the amount determined in accordance with the provisions of Section 1202.004, Texas Government Code.

(f) Effect of Determination Made by Authorized Representative. A finding or determination made by an Authorized Representative acting under the authority delegated thereto by this Resolution with respect to all matters relating to the issuance and sale of the Series 2018B Bonds shall have the same force and effect as a finding or determination made by the Board.

Section 8.02. Official Statement. Prior to execution of a Purchase Agreement, the Authorized Representative, acting for and on behalf of the Board, shall cause a preliminary Official Statement to be prepared for distribution by the Underwriters to prospective purchasers of the Series 2018B Bonds sold under the terms of such Purchase Agreement, such document to be in substantially the form utilized in connection with the sale of Bonds previously issued by the

Board to finance Water Assistance Projects, with such changes and completions as the Authorized Representative may deem necessary or appropriate to enable the Authorized Representative, acting for and on behalf of the Board, to deem the preliminary Official Statement to be final as of its date, except for such omissions as are permitted by the Rule. Within seven (7) business days after the execution of a Purchase Agreement, the Authorized Representative, acting for and on behalf of the Board, shall cause a final Official Statement to be provided to the Underwriters in compliance with the Rule and the rules of the MSRB.

Section 8.03. Custody of Bonds. After the Initial Bond has been executed, it shall be the duty of the Chairman of the Board, or some officer, employee or attorney of the Board acting through authority therefrom, to deliver the Initial Bond to the Attorney General for examination and approval. After the Initial Bond shall have been approved by the Attorney General they shall be delivered to the Comptroller for registration. The Initial Bond thus registered shall remain in the custody of the Chairman of the Board, or some officer, employee or attorney of the Board acting through authority therefrom, or subject to the order of the Chairman, until the sale of the Series 2018B Bonds to the Underwriters on the Date of Delivery.

Section 8.04. Use of Bond Proceeds. Proceeds from the sale of Series 2018B Bonds shall, promptly upon receipt by the Board, be deposited to the credit of the funds and accounts described in this Resolution and applied in the manner specified in the Approval Certificate.

END OF ARTICLE VIII

ARTICLE IX

CONTINUING DISCLOSURE UNDERTAKING

Section 9.01. Annual Reports. The Board shall provide annually to the MSRB, within 195 days after the end of each Fiscal Year ending in or after 2018, financial information and operating data with respect to the Board and the State of the general type included in the final Official Statement authorized by Section 8.02, being the information described in **Exhibit D** hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in **Exhibit D** hereto 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 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 9.02. 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 Series 2018B 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 Series 2018B Bonds, or other material events affecting the tax status of the Series 2018B Bonds;
7. Modifications to rights of holders of the Series 2018B Bonds, if material;
8. Series 2018B Bond calls, if material, and tender offers;
9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Series 2018B 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; and
14. Appointment of a successor or additional Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material.

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 United States 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. 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 9.01 by the time required by such Section.

Section 9.03. Limitations, Disclaimers, and Amendments. The Board shall be obligated to observe and perform the covenants specified in this ARTICLE IX for so long as, but only for so long as, the Board or the State remains an “obligated person” with respect to the Series 2018B Bonds within the meaning of the Rule, except that the Board in any event will give the notice required by Section 9.02 of any Series 2018B Bond calls and defeasance that cause the Board and the State to be no longer “obligated persons”.

The provisions of this ARTICLE IX are for the sole benefit of the holders and beneficial owners of the Series 2018B Bonds, and nothing in this ARTICLE IX, 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 IX 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 IX 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 Series 2018B Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE BOARD BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY SERIES 2018B 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 IX shall constitute a breach of or default under this Resolution for purposes of any other provision of this Resolution.

Nothing in this ARTICLE IX 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 IX 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 IX, as so amended, would have permitted an underwriter to purchase or sell Series 2018B Bonds in the primary offering of the Series 2018B 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 Resolution that authorizes such an amendment) of the Outstanding Series 2018B 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 Series 2018B Bonds. If the Board so amends the provisions of this ARTICLE IX, it shall include with any amended financial information or operating data next provided in accordance with Section 9.01 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 Series 2018B Bonds in the primary offering of the Series 2018B Bonds.

END OF ARTICLE IX

ARTICLE X**DEFEASANCE**

Section 10.01. Series 2018B Bonds Deemed Paid. Any Series 2018B Bond and the interest thereon shall be deemed to be paid, retired and no longer Outstanding (a “**Defeased Bond**”), except to the extent hereinafter provided in this ARTICLE X, when payment of the principal of such Series 2018B Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other similar instrument (the “**Future Escrow Agreement**”) for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Board with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Series 2018B Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Series 2018B Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Financial Assistance Account, and such principal and interest shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of this Resolution to the contrary, it is hereby provided that any determination not to redeem Defeased Bonds that is made in conjunction with the payment arrangements specified in clauses (i) or (ii) above shall not be irrevocable; provided, that in the proceedings providing for such payment arrangements, the Board (1) expressly reserves the right to call the Defeased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Bonds immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

Section 10.02. Investment in Defeasance Securities. Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Board be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Series 2018B Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Board, or deposited as directed in writing by the Board. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in clauses (i) or (ii) of Section 10.01. All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Bonds, with respect to which such money has been so deposited, shall be remitted to the Board or deposited as directed in writing by the Board.

Section 10.03. Paying Agent/Registrar Services. Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Board shall make proper arrangements to provide and pay for such services as required by this Resolution.

Section 10.04. Selection of Series 2018B Bonds for Defeasance. In the event that the Board elects to defease less than all of the principal amount of Series 2018B Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Series 2018B Bonds by such random method as it deems fair and appropriate and consistent with the terms of this Resolution.

END OF ARTICLE X

ARTICLE XI

MATTERS RELATING TO THE REFUNDED BONDS

Section 11.01. Purpose for Refunding. The Board hereby finds that the refunding of the Refunded Bonds is in the public interest ~~as it enables the Board to protect its debt portfolio from future increases in interest rates by refunding variable rate indebtedness with fixed rate indebtedness~~ because it reduces the amount of debt service payments which the Board would have otherwise been required to make with respect to the Refunded Bonds.

Section 11.02. Escrow Agreement. The Chairman and the Executive Administrator are hereby authorized to execute the Escrow Agreement, in substantially the form attached to this Resolution as Exhibit E. In the alternative, an Authorized Representative is authorized to select and appoint an escrow agent for the refunding of the Refunded Bonds, and any escrow agent so selected and appointed shall be designated in the Approval Certificate. The Chairman and the Executive Administrator are hereby authorized to execute and deliver one or more escrow agreements in a form approved by the Authorized Representative. Each Authorized Representative is hereby authorized to take such steps as may be necessary to effect the terms and conditions of the Escrow Agreement or an escrow agreement.

Section 11.03. Redemption of Refunded Bonds. Unless otherwise specified in the Approval Certificate, the Refundable Bonds are hereby called for redemption on August 1, 2018 and are deemed to be the "Refunded Bonds." The Refunded Bonds are called for redemption in accordance with the provisions set forth in the proceedings authorizing their issuance with respect to the redemption of bonds at the option of the Board. In connection with the prior redemption of the Refunded Bonds, the Authorized Representative is hereby directed to coordinate with the paying agent for the Refunded Bonds to give notice of such redemption, in substantially the form attached to this Resolution as Exhibit F, in accordance with the applicable terms of the resolution that authorized such Refunded Bonds. In addition, the Authorized Representative is hereby directed to take such steps as may be necessary to provide registered owners of the Refunded Bonds notice that the obligations owned thereby have been called for redemption.

END OF ARTICLE XI

ARTICLE XII

MISCELLANEOUS PROVISIONS

Section 12.01. Further Procedures. The Chairman, the Executive Administrator, the Debt Portfolio Manager and Development Fund Manager, the General Counsel of the Board, the Chief Financial Officer, and/or any other officers of the Board and each of them, shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the seal of the Board and on behalf of the Board all agreements, instruments, or such other documents, whether mentioned herein or not, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, and the initial sale and delivery of the Series 2018B Bonds. In addition, prior to the initial delivery of the Series 2018B Bonds, the Chairman, the Executive Administrator, the Debt Portfolio Manager and Development Fund Manager, the Chief Financial Officer, and/or the General Counsel of the Board and the Board's Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Resolution or to any of the instruments authorized and approved by this Resolution: (i) in order to cure any technical ambiguity, formal defect, or omission in the Resolution or such other document; or (ii) as requested by the Attorney General or his representative to obtain the approval of the Series 2018B Bonds by the Attorney General and if such officer or counsel determines that such ministerial changes are consistent with the intent and purpose of the Resolution, which determination shall be final. In the event that any officer of the Board whose signature shall appear on any document shall cease to be such officer before the delivery of such document, such signature nevertheless shall be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

Section 12.02. Open Meeting; Notice. It is hereby officially found and determined that the meeting at which this Resolution is adopted is open to the public as required by law at all times during which this Resolution and the subject matter thereof are discussed, considered and formally acted upon; and reasonable notice of this meeting was delivered to the Secretary of State of the State, as required by Chapter 551.

Section 12.03. Prior Actions. All actions taken by the Board authorizing the issuance of the Series 2018B Bonds are in all things approved, ratified and confirmed, except that to the extent such actions conflict with any provision of this Resolution, the terms and provisions of this Resolution shall control and prevail.

Section 12.04. Perfection of Security Interest in Pledge. Chapter 1208 applies to the issuance of the Series 2018B Bonds and the pledge of the credit of the State made pursuant to Section 49-d-8, and such pledge is therefore valid, effective, and perfected. If State law is amended at any time while the Series 2018B Bonds are Outstanding and unpaid such that such pledge is to be subject to the filing requirements of Chapter 9, then in order to preserve to the registered owners of the Series 2018B 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 and enable a filing to perfect the security interest in said pledge to occur.

END OF ARTICLE XII

ADOPTED AND APPROVED this the 11th day of June, 2018.

Peter M. Lake, Chairman
Texas Water Development Board

ATTEST:

Jeff Walker, Executive Administrator
Texas Water Development Board

(SEAL)

SCHEDULE I

REFUNDABLE BONDS

\$62,800,000
State of Texas
Water Financial Assistance Bonds,
Series 2008A

Maturity Date (August 1)	Interest Rate %	Principal Amount Refunded (\$)
2019	4.000	\$ 2,075,000
2020	5.000	4,165,000
2021	5.000	6,840,000
2022	**5.000	7,180,000
<u>2022</u>	<u>4.300</u>	<u>75,000</u>
2023	5.000	7,540,000
2024	5.000	7,905,000
2025	5.000	8,300,000
2026	5.000	8,710,000
2027	5.000	8,085,000
2028	4.600	2,000,000

\$98,450,000
State of Texas
Water Financial Assistance Bonds,
Series 2009A

Maturity Date (August 1)	Interest Rate %	Principal Amount Refunded (\$)
2019	5.000	\$ 10,565,000
2020	5.000	7,775,000
2021	5.000	6,840,000
2022	**4.000	7,195,000
<u>2022</u>	<u>5.000</u>	<u>4,755,000</u>
2023	5.000	7,480,000
2024	5.000	7,870,000
2025	5.000	8,265,000
2026	5.000	8,685,000
2027	**4.750	9,145,000
<u>2027</u>	<u>5.000</u>	<u>6,295,000</u>
2028	5.000	8,480,000
2029	5.000	16,150,000

\$107,825,000
State of Texas
Water Financial Assistance Bonds,
Series 2009[**AB**](#)

Maturity Date (August 1)	Interest Rate %	Principal Amount Refunded (\$)
2019	**5.00	\$
2019	4.250	4,540,000
2020	4.500	7,735,000
2021	5.000	8,085,000
2022	5.000	8,485,000
2023	5.000	8,910,000
2024	**4.000	9,355,000 1,9
2024	5.000	7,445,000
2025	5.000	9,805,000
2026	**4.250	10,295,000 6
2026	5.000	3,580,000
2027	5.000	10,760,000
2028	**4.50	11,300,000 5
2028	5.000	5,845,000
2029	5.000	11,835,000

LIST OF EXHIBITS

Exhibit A	Approval Certificate
Exhibit B	Form of Bond
Exhibit C	Paying Agent/Registrar Agreement
Exhibit D	Description of Annual Financial Information of the Board
Exhibit E	Escrow Agreement
Exhibit F	Notice of Redemption

EXHIBIT A
APPROVAL CERTIFICATE

EXHIBIT B

FORM OF BOND:

NO. R- _____ \$ _____

UNITED STATES OF AMERICA
 STATE OF TEXAS
 WATER FINANCIAL ASSISTANCE ~~AND~~ REFUNDING BOND,
 SERIES 2018B (WATER INFRASTRUCTURE FUND)

<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>DATED DATE</u>	<u>CUSIP</u>
	%	July 15, 2018	

Registered Owner:

Principal Amount:

ON THE MATURITY DATE SPECIFIED ABOVE, THE STATE OF TEXAS, ACTING BY AND THROUGH THE TEXAS WATER DEVELOPMENT BOARD (the "Board"), hereby promises to pay to the registered owner specified above, or to the registered assignees hereof (either being hereinafter called the "registered owner") the principal amount specified above and to pay interest thereon, from the dated date of this Bond specified above, to the date of its scheduled maturity or date of redemption, prior to its scheduled maturity, at the rate of interest per annum specified above, with said interest being payable on August 1, 2018, and semiannually on each February 1, and August 1, thereafter, except that if the Paying Agent/Registrar's Authentication Certificate appearing on the face of this Bond is dated later than _____, 2018, such interest is payable semiannually on each _____, and _____, following such date of authentication.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption, prior to its scheduled maturity, at the corporate trust office of The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar") in Dallas, Texas (the "Designated Payment/Transfer Office"). The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof as shown on the registration books kept by the Paying Agent/Registrar at the close of business on the fifteenth day of the month next preceding such interest payment date (the "Record Date") by check drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Board required to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, postage prepaid, on each such interest payment date, to the registered owner of record on the Record Date at its address as it appears on the registration books kept by the Paying Agent/Registrar, as hereinafter described. The Board covenants with the registered owner of this Bond that no later than each principal payment date and interest payment date for this Bond it will make available to the Paying Agent/Registrar the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Series 2018B Bonds when due.

INTEREST ON THE SERIES 2018B BONDS shall be computed on the basis of a 360-day year of twelve 30-day months.

ANY PAYMENTS REQUIRED to be made hereunder on any day which is not a Business Day (as defined below) shall be made instead on the next succeeding Business Day and no interest shall accrue on such payments in the interim. "Business Day" means a day other than a Saturday, Sunday, a legal holiday or a day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close. Notwithstanding the foregoing, during any period in which ownership of the Series 2018B Bonds is determined only by a book entry at a securities depository for the Series 2018B Bonds, any payment to the securities depository, or its nominee or registered assigns, shall be made in accordance with existing arrangements between the Board and the securities depository.

THIS BOND is one of a series of Bonds of like tenor and effect except as to number, maturity, interest rate and right of prior redemption, dated as of the dated date of this Bond specified above, aggregating _____ Dollars (\$ _____) (the "Series 2018B Bonds" or the "Bonds"), issued pursuant to authority granted to the Board by Section 49-d-8 of Article III of the Texas Constitution ("Section 49-d-8"), Section 49-d-9 of Article III of the Texas Constitution ("Section 49-d-9"), Section 49-d-11 of Article III of the Texas Constitution ("Section 49-d-11") and Subchapter L, Chapter 17, Texas Water Code ("Subchapter L"), and a resolution authorizing the issuance of the series of Bonds of which this is one, adopted by the Board and duly of record in the minutes of the Board (hereinafter called the "Bond Resolution"), for the purpose of conserving and developing the water resources of the State, to-wit, ~~(i) by providing funds for the Financial Assistance Account for Water Assistance Projects, including funds to the credit of any state revolving fund administered by the Board under the provisions of the Texas Water Code, (ii)~~ providing funds for the refunding of the Refunded Bonds, and ~~(iii)~~ providing funds for the payment of expenses arising in connection with the issuance of the Series 2018B Bonds. In the Bond Resolution, the Board delegated to certain designated officials the authority to establish and approve the final terms of sale of the Series 2018B Bonds through the execution of an Approval Certificate (the Bond Resolution and Approval Certificate are collectively referred to herein as the "Resolution"). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Resolution.

THE SERIES 2018B BONDS having Stated Maturities on and after August 1, 20__, shall be subject to redemption prior to maturity, at the option of the Board, in whole or in part, in Authorized Denominations, on _____, 20__, or on any date thereafter, at the redemption price of par plus accrued interest to the date of redemption.

THE SERIES 2018B BONDS maturing on August 1, in the years _____ (the "Term Bonds") are subject to mandatory sinking fund redemption annually, on August 1 of the years and in the principal amounts set forth below, plus accrued interest from the most recent interest payment date on which interest has been paid or fully provided for, to the redemption date:

\$ Term Bonds due August 1, 20

Mandatory Redemption Dates (August 1)	Principal Amount (\$)
--	--------------------------

ON OR BEFORE August 1 of every year in which there are mandatory redemption requirements as defined above for the Term Bonds, the Paying Agent/Registrar shall (i) determine the principal amount of Term Bonds that must be mandatorily redeemed on August 1 of such year, after taking into account deliveries for cancellation and optional redemptions of Bonds

as more fully provided below, (ii) select by lot or other customary random method the Term Bonds (or portions thereof) to be mandatorily deemed on August 1 of such year and (iii) give notice thereof in the manner described below. The Board, at its option, may credit against any mandatory sinking fund Term Bonds which have been purchased and canceled by the Board or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement of any other Term Bond maturity then subject to redemption.

~~THE SERIES 2018B BONDS shall be subject to extraordinary mandatory redemption prior to their scheduled maturities, on _____, 2018 (the "One-Year Extraordinary Mandatory Redemption"), in an amount equal to the Computation Amount applicable to the One Year Computation Period (as each term is defined in the Resolution), plus accrued interest to the date of such extraordinary mandatory redemption, at the redemption prices set forth below, expressed as percentages of the principal amount of each maturity of the Series 2018B Bonds so redeemed:~~

~~_____ Maturity _____ Redemption (%)~~

~~THE FOREGOING NOTWITHSTANDING, the Series 2018B Bonds shall not be subject to such extraordinary mandatory redemption if the Board obtains an opinion of nationally-recognized bond counsel acceptable to the Board to the effect that the failure by the Board to cause such extraordinary mandatory redemption to occur will not adversely affect the excludability of interest on the Series 2018B Bonds from gross income for federal income tax purposes.~~

~~THE SERIES 2018B BONDS shall be subject to extraordinary mandatory redemption prior to their scheduled maturities, on _____, 2021 (the "Three-Year Extraordinary Mandatory Redemption"), in an amount equal to the Computation Amount applicable to the Three-Year Computation Period (as defined in the Resolution), plus accrued interest to the date of such extraordinary mandatory redemption, at the redemption prices set forth below, expressed as percentages of the principal amount of each maturity of the Series 2018B Bonds so redeemed:~~

~~_____ Maturity _____ Redemption (%)~~

~~THE FOREGOING NOTWITHSTANDING, the Series 2018B Bonds shall not be subject to such extraordinary mandatory redemption if the Board obtains an opinion of nationally recognized bond counsel acceptable to the Board to the effect that the failure by the Board to cause such extraordinary mandatory redemption to occur will not adversely affect the excludability of interest on the Series 2018B Bonds from gross income for federal income tax purposes.~~

~~For Purposes of the One-Year Extraordinary Mandatory Redemption and the Three-Year Extraordinary Mandatory Redemption of Bonds, as the case may be, the Series 2018B Bonds subject to such redemption shall be selected on a "Pro-Rata Basis"; provided, that if any amount required to be redeemed remains after such selection, such remaining amount shall be applied to the redemption of \$5,000 principal amount of each maturity of Series 2018B Bonds in inverse order of maturity. The term "Pro-Rata Basis" means that the principal amount of Series 2018B Bonds of a particular maturity shall be determined by multiplying the Computation Amount by the ratio which the principal amount of Series 2018B Bonds of such maturity then Outstanding bears to the aggregate principal amount of Series 2018B Bonds then Outstanding and subject to redemption.~~

IF FEWER THAN ALL OF THE SERIES 2018B BONDS are called for redemption, the maturities to be redeemed will be selected by the Board, and the Series 2018B Bonds to be redeemed within any one maturity will be selected by the Paying Agent/Registrar by lot (or in such other manner as the Paying Agent/Registrar may determine) in integral multiples of \$5,000; *provided, however*, that during any period in which ownership of such Series 2018B Bonds to be redeemed is determined only by a book-entry at DTC, or a successor securities depository, if fewer than all of such Series 2018B Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Series 2018B Bonds of such maturity and bearing such interest rate will be selected in accordance with the arrangements between the Board and DTC or successor securities depository.

IF THE SERIES 2018B BONDS are no longer registered to DTC or its nominee, any redemption of less than all of a maturity of such Series 2018B Bonds shall be effected by the Paying Agent/Registrar among owners on a pro-rata basis subject to minimum Authorized Denominations. The Series 2018B 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.

AT LEAST thirty (30) days prior to the date fixed for any redemption, (a) a written notice of such redemption shall be given to the registered owner of each Bond or a portion thereof being called for redemption by depositing such notice in the United States mail, first-class postage prepaid, addressed to each such registered owner at his address shown on the registration books of the Paying Agent/Registrar, and (b) notice of such redemption either shall be published one (1) time in or posted electronically on the website of a financial journal or publication of general circulation in the United States of America or the State of Texas carrying as a regular feature notices of municipal bonds called for redemption; *provided, however*, that the failure to send, mail, or receive such notice described in clause (a) above, 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 the Resolution provides that the provision of notice as described in clause (a) above shall be the only notice actually required in connection with or as a prerequisite to the redemption of any Bonds. By the date fixed for any such redemption due provision shall be made by the Board with the Paying Agent/Registrar for the payment of the required redemption price for this Bond or the portion hereof which is to be so redeemed, plus accrued interest thereon to the date fixed for redemption. 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 Paying Agent/Registrar with amounts sufficient to effect on the date fixed for redemption the payment of the entire redemption price of the Series 2018B 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. Such occurrence shall not result in default of the Board's payment obligations on the Series 2018B Bonds as provided herein or in the Resolution. By each redemption date, the Board shall deposit with the Paying Agent/Registrar money sufficient to pay all amounts due on the redemption date.

THE BOARD RESERVES the right to give notice of its election to optionally redeem Series 2018B Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or Defeasance Securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the Board retains the right to rescind such notice at any time prior to the scheduled redemption date if the Board delivers a certificate or other direction to the Paying Agent/Registrar instruction the Paying Agent/Registrar to rescind the redemption notice, and such notice of redemption shall be of no effect if such moneys and/or Defeasance Securities are not so

deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission to the affected Owners. Any Bonds subject to conditional redemption where redemption has been rescinded shall not constitute an event of default and shall remain outstanding.

IF SUCH NOTICE of redemption is given, and if due provision for such payment is made, all as provided in the paragraph above, this Bond, or the portion thereof which is to be so redeemed, thereby automatically shall be redeemed prior to its scheduled maturity, and shall not bear interest after the date fixed for its redemption, and shall not be regarded as being Outstanding except for the right of the registered owner to receive the redemption price plus accrued interest to the date fixed for redemption from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/Registrar shall record in the Registration Books all such redemptions of principal of this Bond or any portion hereof. If a portion of any Bond shall be redeemed, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000 of principal amount (hereinafter an "Authorized Denomination"), at the written request of the registered owner, and in an aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Board, all as provided in the Resolution.

THIS BOND OR ANY PORTION OR PORTIONS HEREOF IN ANY AUTHORIZED DENOMINATION may be assigned and shall be transferred only in the Registration Books of the Board kept by the Paying Agent/Registrar acting in the capacity of registrar for the Series 2018B Bonds, upon the terms and conditions set forth in the Resolution. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar at the Designated Payment/Transfer Office, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any Authorized Denomination to the assignee or assignees. A new Bond or Bonds payable to such assignee, or to the previous registered owner in the case of the assignment and transfer of only a portion of this Bond, shall be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the conversion and exchange of other Bonds.

AS PROVIDED in the Resolution, this Bond, or any unredeemed portion hereof, may, at the request of the registered owner or the assignee or assignees hereof, be converted into and exchanged for a like aggregate principal amount of fully registered Bonds payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date and interest rate, in any Authorized Denomination, as requested in writing by the appropriate registered owner or assignee, upon surrender of this Bond to the Paying Agent/Registrar at the Designated Payment/Transfer Office for cancellation.

NEITHER THE BOARD, the State of Texas, nor the Paying Agent/Registrar shall be required (a) to issue, transfer, exchange or make any conversion of any Bond subject to redemption during a period beginning at the opening of business thirty (30) days before the day of the first mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing or (b) to transfer or exchange any Bond after it is selected for redemption, in whole or in part, prior to the redemption date; *provided, however*, that at the option of the registered owner of at least \$1,000,000 in principal amount of the Series 2018B Bonds, the Paying Agent/Registrar shall be required to transfer or exchange any Bonds which have been selected in whole or in part for redemption upon the surrender thereof. The registered owner requesting

conversion and exchange of any Bond or portion thereof shall pay the Paying Agent/Registrar's customary fees and charges, together with any taxes or governmental charges required to be paid with respect thereto, as a condition precedent to the exercise of such privilege of conversion and exchange, except, however, that in the case of the conversion and exchange of an assigned and transferred Bond or Bonds or portion thereof, and in the case of the conversion and exchange of a portion of a Bond which has been redeemed prior to maturity, as provided herein, the fees and charges of the Paying Agent/Registrar will be paid by the Board.

WHENEVER the beneficial ownership of this Bond is determined by a book entry at a securities depository for the Series 2018B Bonds, the foregoing requirements of holding, delivering or transferring this Bond shall be modified to require the appropriate person or entity to meet the requirements of the securities depository as to registering or transferring the book entry to produce the same effect.

IN THE EVENT any Paying Agent/Registrar for the Series 2018B Bonds is changed by the Board, resigns or otherwise ceases to act as such, the Board has covenanted in the Resolution that it promptly will appoint a competent and legally qualified substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owners of the Series 2018B Bonds.

BY BECOMING the registered owner of this Bond, the registered owner thereby acknowledges all of the terms and provisions of the Resolution, agrees to be bound by such terms and provisions, acknowledges that the Resolution is duly recorded and available for inspection in the official minutes and records of the Board, and agrees that the terms and provisions of this Bond and the Resolution constitute a contract between each registered owner hereof and the Board.

THE ISSUE of Bonds of which this is one shall be and is hereby made a general obligation of the State of Texas, pursuant to Section 49-d-8 and Subchapter L, and for the faithful performance of all covenants, recitals and stipulations herein contained, and for the faithful performance in proper time and manner of each official or other act required and necessary to provide for the prompt payment of principal of and interest on this Bond when due, the resources of the Board and the full faith and credit of the State of Texas are hereby pledged.

PAYMENTS OF THE PRINCIPAL OF and premium, if any, and interest on this Bond shall be made primarily from the "Texas Water Development Fund II Water Financial Assistance Account" (the "Financial Assistance Account") within the Texas Water Development Fund II ("Development Fund II") created by Section 49-d-8. The Financial Assistance Account shall be comprised of (1) the Board's rights to receive repayment of financial assistance provided from such account, together with any evidence of such rights; (2) money received from the sale or other disposition of the Board's rights to receive repayment of such financial assistance; (3) money received as repayment of such financial assistance; (4) money and assets attributable to bonds issued and sold by the Board for such account, including money and assets transferred from the Texas Water Development Fund pursuant to Section 49-d-8; (5) money deposited to such account from the sale, transfer, or lease, in whole or in part, of facilities held for such account; (6) payments received by the Board under a Bond Enhancement Agreement as authorized by law with respect to bonds issued for such account; (7) interest and other income received from investment of money in such account; and (8) any other funds, regardless of their source, that the Board directs be deposited to the Financial Assistance Account. Proceeds from the sale of the bonds on deposit in the Financial Assistance Account shall not be available to pay the principal of and premium, if any, and interest on this Bond and the series of which it is a part unless specifically authorized by the Board. The Bonds and all other bonds or other obligations

issued or incurred by the Board pursuant to Section 49-d-8, Section 49-d-9, or Section 49-d-11 to augment Development Fund II or to refund any such bonds or obligations are referred to herein as "Water Financial Assistance Bonds". Section 49-d-8 provides that to the extent there is not money in any account available for payment of principal of and interest on the Water Financial Assistance Bonds issued for such account, there is appropriated out of the first money coming into the State Treasury in each fiscal year, not otherwise appropriated by the Texas Constitution, an amount which is sufficient to pay the principal of and interest on such Water Financial Assistance Bonds that mature or become due during that fiscal year.

IT IS HEREBY certified and recited that all acts, conditions and things required to be done precedent to and in the issuance of this Bond and the series of which it forms a part have been properly done, have happened and have been performed in regular and due time, form and manner as required by the Constitution and laws of the State of Texas and the Resolution, and that the series of Bonds of which this is a part does not exceed any constitutional or statutory limitation, and that provision has been made for the payment of the principal of and interest on this Bond and the series of which it is a part as such principal and interest become due by a continuing appropriation heretofore made by Section 49-d-8 and by a pledge of the credit of the State of Texas.

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IN TESTIMONY WHEREOF, this Bond is executed with the lithographed or printed facsimile or manual signatures of the Chairman of the Texas Water Development Board and the Executive Administrator, and the seal of said Board is lithographed, printed or manually impressed hereon.

THE STATE OF TEXAS

Chairman
Texas Water Development Board

ATTEST:

Executive Administrator
Texas Water Development Board

(SEAL)

[To accompany Definitive Bonds only]

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the Resolution 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 Texas Comptroller of Public Accounts.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., Paying Agent/Registrar

Dated _____

By: _____
Authorized Representative

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto (Print or typewrite name, address, and zip code of transferee:) _____

(Social Security or other identifying number _____) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____

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

DATED:

Signature guaranteed:

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

[To accompany Initial Bond(s) only]

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER	(
<u>OF PUBLIC ACCOUNTS</u>	{	<u>REGISTER NO.</u>
OF PUBLIC ACCOUNTS	{	REGISTER NO.
THE STATE OF TEXAS	(

I HEREBY CERTIFY that this Bond has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and duly registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS my signature and seal of office this _____.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

The Initial Series 2018B Bond shall be in the form set forth therefor in this Exhibit, except as follows:

Heading and paragraphs one (1) through three (3) shall be replaced as follows:

NO. T-1 \$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
WATER FINANCIAL ASSISTANCE ~~AND~~ REFUNDING BOND
SERIES 2018B (WATER INFRASTRUCTURE FUND)

Bond Date:
July 15, 2018

Registered Owner: _____

Principal Amount: _____ DOLLARS

THE STATE OF TEXAS, ACTING BY AND THROUGH THE TEXAS WATER DEVELOPMENT BOARD (the "Board"), for value received, acknowledges itself indebted to and hereby promises to pay to the registered owner named above, or the registered assigns thereof, the Principal Amount hereinabove stated on August 1 in the years and in principal installments in accordance with the following schedule:

<u>Year of Stated Maturity</u>	<u>Principal Amount (\$)</u>	<u>Interest Rates (%)</u>
------------------------------------	----------------------------------	-------------------------------

(Information to be inserted from Approval Certificate).

(without right of prior redemption) and to pay interest on the unpaid principal installments hereof from the date of its delivery at the per annum rates of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on August 1, 2018, and each February 1 and August 1 thereafter, until maturity. Principal installments of this Series 2018B Bond are payable in the year of maturity or on a redemption date to the registered owner hereof by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender, at its designated offices in East Syracuse, New York (the "Designated Payment/Transfer Office"). Interest is payable to the registered owner of this Bond whose name appears on the "Registration Books" maintained by the Paying Agent/Registrar at the close of business on the "Record Date," which is the fifteenth day of the month next preceding each interest payment date, and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Registration Books or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. All payments of principal of, premium, if any, and interest on this Bond shall be without exchange or collection charges to the registered owner hereof and in any coin or currency of the United States of America, which at the time of payment is legal tender for the payment of public and private debts. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the

Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to be closed, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to be closed; and payment on such date shall have the same force and effect as if made on the original date payment was due.

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EXHIBIT C
PAYING AGENT/REGISTRAR AGREEMENT

EXHIBIT D

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION OF THE BOARD

The following information is referred to in Section 9.01 of this Resolution.

Annual Financial Statements and Operating Data

The financial information and operating data with respect to the Board to be provided annually in accordance with such Section are TABLES 1 and 2 of the Official Statement and in Appendix B to the Official Statement.

Accounting Principles

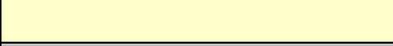
The accounting principles referred to in such Section are generally accepted accounting principles for governmental units as prescribed by the Government Accounting Standards Board from time to time, as such principles may be changed from time to time to comply with state law or regulation.

EXHIBIT E
ESCROW AGREEMENT

EXHIBIT F
NOTICE OF REDEMPTION

Document comparison by Workshare Professional on Tuesday, May 29, 2018
10:59:43 AM

Input:	
Document 1 ID	interwovenSite://US_DMS/US2016/29943530/2
Description	#29943530v2<US2016> - TWDB GO 2018B - Bond Resolution
Document 2 ID	interwovenSite://US_DMS/US2016/29943530/3
Description	#29943530v3<US2016> - TWDB GO 2018B - Bond Resolution
Rendering set	Standard

Legend:	
Insertion	
Deletion	
Moved from	
Moved to	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	132
Deletions	110
Moved from	4
Moved to	4
Style change	0
Format changed	0
Total changes	250

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. 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 [June 27, 2018]

NEW ISSUE - Book-Entry-Only

Ratings: Fitch: "To Come"; Moody's: "To Come"; S&P: "To Come"
See "OTHER INFORMATION-Ratings"

In the opinion of Bond Counsel (hereinafter defined), assuming continuing compliance by the Board (hereinafter defined) after the date of initial delivery of the Bonds (hereinafter defined) with certain covenants contained in the Resolution (hereinafter defined) authorizing the Bonds and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and (2) will not be included in computing the alternative minimum taxable income of individuals or, except as described herein, corporations. See "TAX MATTERS" herein.



\$ [REDACTED] *
STATE OF TEXAS
GENERAL OBLIGATION BONDS
Water Financial Assistance Refunding Bonds,
Series 2018B
(Water Infrastructure Fund)

Dated Date: July 15, 2018

Due: August 1, as shown on page ii herein

The State of Texas Water Financial Assistance Refunding Bonds, Series 2018B (Water Infrastructure Fund) (the "Bonds") are general obligations of the State of Texas (the "State") and are issued by the Texas Water Development Board ("TWDB" or the "Board") under the authority of the Texas Constitution (the "Constitution") and laws of the State. Interest on the Bonds will accrue from the Date of Delivery (as defined below) at the fixed rates of interest shown on page ii hereof and will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Bonds will be payable on February 1, 2019, and on each February 1 and August 1 thereafter until maturity or prior redemption. The Bonds will be issued only as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof within a maturity. The Depository Trust Company, New York, New York ("DTC"), initially will act as securities depository for the Bonds. **Beneficial owners of the Bonds will not receive physical delivery of Bond certificates except as described herein.**

The Bonds are subject to redemption prior to stated maturity as provided herein. See "THE BONDS-Redemption Provisions".

THE BONDS ARE GENERAL OBLIGATIONS OF THE STATE OF TEXAS, AND ARE SECURED BY THE FULL FAITH AND CREDIT OF THE STATE OF TEXAS. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS".

The Bonds are issued pursuant to a resolution adopted by the Board on June 11, 2018 (the "Bond Resolution"), in which, among other matters, the Board delegated to certain designated officials the authority to establish and approve the final terms of the sale of the Bonds through the execution of an approval certificate (the Bond Resolution and such approval certificate are collectively referred to herein as the "Resolution"). The Bonds are being issued pursuant to the Resolution, and the Constitution and laws of the State, including particularly Article III, Section 49-d-8, 49-d-9 and 49-d-11, Texas Constitution, Subchapter L of Chapter 17 of the Texas Water Code, as amended (the "Act"), Chapter 1207, Texas Government Code, as amended ("Chapter 1207") and Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), for the purposes of conserving and developing the water resources of the State by (i) providing funds for the refunding of the Refunded Bonds, and (ii) providing funds for the payment of expenses arising in connection with the issuance of the Bonds. Capitalized terms not otherwise defined herein have the meanings given to said terms in the Resolution.

SEE PAGE ii HEREIN FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR BONDS

The Bonds are offered for delivery when, as and if issued and accepted by the underwriters listed below (the "Underwriters"), subject to prior sale, withdrawal or modification of the offer without notice and are subject to the approving legal opinion of the Attorney General of the State, and Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel. Certain legal matters will be passed on for the Board by Bracewell LLP, Houston, Texas, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Mahomes Bolden PC, Dallas, Texas. See "LEGAL MATTERS." It is expected that the Bonds will be available for delivery, through the facilities of DTC, on or about [July 31, 2018] (the "Date of Delivery").

PIPER JAFFRAY & CO.

BOK FINANCIAL SECURITIES, INC.
LOOP CAPITAL MARKETS

BARCLAYS
SIEBERT CISNEROS SHANK & CO., L.L.C.

* Preliminary, subject to change.

Maturity Schedule

\$ *

**STATE OF TEXAS
GENERAL OBLIGATION BONDS
Water Financial Assistance Refunding Bonds,
Series 2018B
(Water Infrastructure Fund)**

CUSIP Prefix: 882724⁽³⁾

<u>Maturity (August 1)⁽¹⁾⁽²⁾</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP⁽³⁾</u>
---	----------------------------------	------------------------------	------------------------------	----------------------------

(Interest to accrue from the Date of Delivery)

* Preliminary, subject to change.

⁽¹⁾ *Extraordinary Mandatory Redemption.* The Bonds are subject to extraordinary mandatory redemption prior to maturity as described under "THE BONDS – Redemption Provisions – Extraordinary Mandatory Redemption."

⁽²⁾ *Optional Redemption.* The Bonds having stated maturities on and after August 1, 20__, are subject to redemption at the option of the Board, in whole or from the time to time in part, on August 1, 20__ or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See "THE BONDS – Redemption Provisions."

⁽³⁾ CUSIP® is a registered trademark of the American Bankers Association, CUSIP data herein is provided by CUSIP Global Services, managed 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 CUSIP services. None of the State, the Board, the Financial Advisor (as defined herein), or the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

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SALE AND DISTRIBUTION OF THE BONDS

For purposes of compliance with United States Securities and Exchange Commission (the "SEC") Rule 15c2-12, as amended (the "Rule"), and in effect on the date of this Preliminary Official Statement, this document constitutes an "Official Statement" of the Board with respect to the 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.

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

Use of Official Statement

No dealer, broker, salesman or other person has been authorized by the Board or the Underwriters to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation 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 the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall, under any circumstances, create the implication that there has been no change in the affairs of the Board or the State since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein and in no instance may this Official Statement be reproduced or used for any other purpose.

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.

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT FACTS AND CIRCUMSTANCES ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION MAY NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE BONDS DESCRIBED HEREIN SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

See "**CONTINUING DISCLOSURE OF INFORMATION**" for a description of the undertakings of the Board and the Texas Comptroller of Public Accounts ("Comptroller"), respectively, to provide certain information on a continuing basis. No representation is made by the Board or the Underwriters regarding the use, presentation and interpretation of the financial information of the State or the Board made by third parties, including, without limitation, the Municipal Securities Rulemaking Board (the "MSRB").

NONE OF THE STATE, THE BOARD, THE BOARD'S FINANCIAL ADVISOR NOR THE UNDERWRITERS MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN FURNISHED BY DTC.

Marketability

THE BONDS ARE BEING OFFERED FOR SALE TO THE PUBLIC AT THE PRICES SHOWN ON PAGE ii HEREOF. THE UNDERWRITERS RESERVE THE RIGHT TO LOWER SUCH INITIAL OFFERING PRICES AS THEY DEEM NECESSARY IN CONNECTION WITH THE MARKETING OF THE BONDS. THE UNDERWRITERS RESERVE THE RIGHT TO JOIN WITH DEALERS AND OTHER UNDERWRITERS IN OFFERING THE BONDS TO THE PUBLIC. THE OBLIGATION OF THE UNDERWRITERS TO ACCEPT DELIVERY OF THE BONDS IS SUBJECT TO THE TERMS AND CONDITIONS SET FORTH IN THE BOND PURCHASE AGREEMENT, THE APPROVAL OF LEGAL MATTERS BY COUNSEL AND OTHER CONDITIONS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. See "**OTHER INFORMATION – Underwriting**" herein.

Securities Laws

No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon an exemption provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, nor have the 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 Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions. See "**LEGAL MATTERS – Registration and Qualification of Bonds for Sale**" herein.

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES DESCRIBED IN THIS OFFICIAL STATEMENT OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

References to web site addresses herein are for informational purposes only and may be in the form of hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for the purposes of, and as that term is defined in, Rule 15c2-12, as amended, of the SEC.

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TEXAS WATER DEVELOPMENT BOARD

Members	Term Expiration
Peter M. Lake, Chairman	February 1, 2021
Kathleen Jackson, Member	February 1, 2023
Brooke T. Paup, Member	February 1, 2019

KEY STAFF MEMBERS

Jeff Walker	Executive Administrator
Amanda Lavin	Assistant Executive Administrator
Jessica Zuba	Deputy Executive Administrator
Rebecca Trevino	Chief Financial Officer
Georgia Sanchez	Debt Portfolio Manager and Development Fund Manager
Todd Chenoweth	General Counsel

BOND COUNSEL
Norton Rose Fulbright US LLP
Dallas, Texas

FINANCIAL ADVISOR
Hilltop Securities Inc.
Austin, Dallas and San Antonio, Texas

DISCLOSURE COUNSEL
Bracewell LLP
Houston, Texas

PAYING AGENT/REGISTRAR
The Bank of New York Mellon Trust Company, N.A.
Dallas, Texas

Questions regarding this Official Statement may be directed to Georgia Sanchez, Debt Portfolio Manager and Development Fund Manager, Texas Water Development Board, 1700 North Congress Avenue, 6th Floor, Austin, Texas 78701; Telephone: (512) 475-4584; Electronic Mail: georgia.sanchez@twdb.texas.gov.

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PRELIMINARY OFFICIAL STATEMENT

relating to

\$ _____ *

**STATE OF TEXAS
GENERAL OBLIGATION BONDS
Water Financial Assistance Refunding Bonds,
Series 2018B
(Water Infrastructure Fund)**

INTRODUCTION

The general obligation bonds of the State of Texas (the "State") offered by the Texas Water Development Board (the "Board" or "TWDB") hereby, acting on behalf of the State, are the State of Texas Water Financial Assistance Refunding Bonds, Series 2018B (the "Bonds"). The Bonds, together with other general obligation bonds heretofore issued or to be issued pursuant to Article III, Sections 49-d-8 ("Section 49-d-8"), 49-d-9 ("Section 49-d-9"), 49-d-10 ("Section 49-d-10") and 49-d-11 ("Section 49-d-11") of the Texas Constitution (the "Constitution") to augment the funding of the Texas Water Development Fund II, a fund within the State Treasury ("Development Fund II"), are hereinafter referred to collectively sometimes as the "Water Assistance Bonds." The Bonds, together with other Water Assistance Bonds heretofore issued or to be issued in the future for the Financial Assistance Account of Development Fund II (the "Financial Assistance Account"), are hereinafter referred to sometimes as the "Financial Assistance Bonds." Water Assistance Bonds heretofore issued or to be issued in the future for the Economically Distressed Areas Program Account of Development Fund II (the "EDAP Account") are hereinafter referred to sometimes as the "EDAP Bonds." Water Assistance Bonds heretofore issued or to be issued in the future for the State Participation Account of Development Fund II (the "State Participation Account") are hereinafter referred to sometimes as the "State Participation Bonds." **No EDAP or State Participation Bonds are being offered pursuant to this Official Statement.**

The Bonds are being issued pursuant to a resolution adopted by the Board on June 11, 2018 (the "Bond Resolution"), the Constitution and laws of the State, including particularly Section 49-d-8, 49-d-9 and 49-d-11, Subchapter L of Chapter 17 of the Texas Water Code, as amended (the "Act"), Chapter 1207, Texas Government Code, as amended ("Chapter 1207") and Chapter 1371, Texas Government Code, as amended ("Chapter 1371"). The Bond Resolution, among other matters, delegates to an authorized representative of the Board authority to complete the sale of the Bonds pursuant to the terms of an approval certificate (the "Approval Certificate" and together with the Bond Resolution, the "Resolution", and a particular bond purchase agreement entered into with respect to the Bonds, (the "Purchase Agreement") between the Board and the underwriters listed on the cover page hereto (the "Underwriters"). Capitalized terms not otherwise defined herein have the meanings given to said terms in the Resolution.

THE BONDS CONSTITUTE GENERAL OBLIGATIONS OF THE STATE AND THE FULL FAITH AND CREDIT OF THE STATE IS PLEDGED FOR THE FAITHFUL PERFORMANCE IN PROPER TIME AND MANNER OF EACH OFFICIAL OR OTHER ACT REQUIRED OR NECESSARY TO PROVIDE FOR PROMPT PAYMENT OF THE BONDS. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

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* Preliminary, subject to change

PLAN OF FINANCE

Background

Section 49-d-8 created the Development Fund II as a separate account within the State Treasury. Section 49-d-9 authorized the Board to issue general obligation bonds in an amount not to exceed \$2 billion to augment Development Fund II. On November 8, 2011, voters approved Proposition 2, which added Section 49-d-11, and authorizes the Board to issue additional general obligation bonds for one or more accounts of Development Fund II in amounts such that the aggregate principal amount of bonds issued under Section 49-d-11 that are outstanding at any time does not exceed \$6 billion.

The Bonds are being issued as Financial Assistance Bonds pursuant to the constitutional authority provided by Sections 49-d-8, 49-d-9 and 49-d-11.

For a general discussion of Development Fund II and the Bonds authorized to be issued to augment such fund, see "**WATER ASSISTANCE BOND PROGRAM – Development Fund II**" and "**TABLE 1: WATER ASSISTANCE BONDS**" below.

Use of Bond Proceeds

The Bonds are being issued to provide funds for the Financial Assistance Account for Water Assistance Projects and to pay the costs of issuance of such portion of Bonds. The Bonds are being issued for the purpose of conserving and developing the water resources of the State by (i) providing funds for the refunding of the Refunded Bonds; and (ii) providing fund for the payment of expenses arising in connection with the issuance of the Bonds. The Bond Resolution authorized the issuance of the Bonds in a maximum aggregate principal amount of [\$_____]. The authority to issue the Bonds under the terms of the Resolution expires on [June 10, 2019.]

Refunded Bonds

The bonds described in Schedule I to this Official Statement (the "Refunded Bonds"), and interest due thereon, are anticipated to be paid on the date or dates described in Schedule I to this Official Statement (the "Redemption Date") from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, the paying agent for the Refunded Bonds (the "Bank"). Pursuant to an escrow deposit letter between the Bank and the Board, a portion of the proceeds of the sale of the Bonds, together with other lawfully available funds, if any, will be deposited with the Bank in an amount necessary, without further investment, to accomplish the discharge and final payment of the Refunded Bonds on the Redemption Date. Such funds will be held by the Bank for the payment of the principal of and interest on the Refunded Bonds. See "**SCHEDULE I – SCHEDULE OF REFUNDED BONDS.**"

By the deposit of cash with the Bank under the escrow deposit letter, the Board will have entered into firm banking and financing arrangements for the discharge and final payment of the Refunded Bonds in accordance with applicable law. As a result of such firm banking and financial arrangements and in reliance on a certificate of sufficiency from the Bank (the "Sufficiency Certificate") verifying the sufficiency of the deposit made, the Refunded Bonds will be deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds held by the Bank.

Anticipated Issuance of Additional Bonds

Various State entities, including the Board, have issued and are authorized to issue general obligation bonds or other obligations of the State. In addition, by constitutional amendment, the voters of the State may authorize the issuance of additional general obligation bonds or other indebtedness for which the full faith, credit and taxing powers of the State are pledged. See "**SECURITY AND SOURCES OF PAYMENT FOR THE BOND**" and "**APPENDIX A – THE STATE OF TEXAS.**"

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds and available funds of the Board, if any, will be applied approximately as follows:

Sources

Principal Amount	
Premium	
Debt Service Fund Transfer	
Board Contribution	
Total	<hr/> <hr/>

Uses

Deposit for Redemption of Refunded Bonds	
Costs of Issuance ⁽¹⁾	
Underwriters' Discount	
Additional Proceeds	
Total	<hr/> <hr/>

(1) Includes legal fees of the Board, financial advisory fees, rating agency fees, fees of the Paying Agent/Registrar and other costs of issuance.

THE BONDS

General Provisions

The Bonds will be issued only as fully registered bonds, in any integral multiple of \$5,000 within a maturity. Interest on the Bonds will accrue from the Date of Delivery at the respective per annum rates for each maturity of Bonds as shown on page ii hereof and will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Bonds will be payable on February 1, 2019, and on each February 1 and August 1 thereafter until maturity or prior redemption. The Bonds mature on August 1 in the years and in the principal amounts set forth on the inside cover page hereof.

The Board initially will issue the 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** to this Official Statement. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 principal amount or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the Beneficial Owners (as defined in **APPENDIX E**) thereof. Principal of and interest on the 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.

Payment of principal of the Bonds will be made to the registered owner upon maturity or redemption prior to maturity only upon presentation and surrender of such Bonds at the Designated Payment/Transfer Office of the Paying Agent/Registrar (hereinafter defined); provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described in **APPENDIX E** to this Official Statement. See "**THE BONDS – Transfer, Exchange and Registration.**" When the Bonds are not in the book-entry-only system, interest on the Bonds will be paid to registered owners shown on the registration books kept by the Paying Agent/Registrar at the close of business on the fifteenth calendar day of the month next preceding such interest payment date (the "Record Date").

In the event that any date for payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which such banking institutions are authorized to close. Payment on such later date will not increase the amount of interest due and will have the same force and effect as if made on the original date payment was due. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined only by a book-entry at a securities depository for the Bonds, any payment to the securities depository, or its nominee or registered assigns, shall be made in accordance with existing arrangements between the Board and the securities depository.

Redemption Provisions

Extraordinary Mandatory Redemption. The Bonds are subject to extraordinary mandatory redemption prior to maturity as described below.

Optional Redemption. The Bonds having stated maturities on and after August 1, 20__, are subject to redemption at the option of the Board, in whole or from time to time in part, on August 1, 20__ or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, ____ and August 1, ____ (the "Term Bonds") are subject to mandatory sinking fund redemption. The Term Bonds must be redeemed by the Paying Agent/Registrar in part prior to maturity at the redemption price of par plus interest accrued to the date of redemption, and without premium, on the date and in the principal amount as set forth in the following schedule:

<u>Redemption Date</u>	<u>Principal Amount (\$)</u>
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Selection of Bonds to be Redeemed

If fewer than all of the Bonds are called for redemption, the maturities (or mandatory sinking fund redemption amounts within a maturity) to be redeemed will be selected by the Board, and such Bonds to be redeemed within any one maturity will be selected by the Paying Agent/Registrar by lot (or in such other random selection manner as the Paying Agent/Registrar may determine) in integral multiples of \$5,000; provided, however, that during any period in which ownership of such Bonds to be redeemed is determined only by a book-entry-only system at DTC, or a successor securities depository, if fewer than all of such Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate will be selected in accordance with the arrangement between the Board and DTC or successor securities depository.

Extraordinary Mandatory Redemption

General. Section 149(f) of the Internal Revenue Code of 1986 (the "Code") imposes certain requirements on bonds issued by state and local governments for pooled financing programs, such as the Bonds, in order for the interest to be and remain exempt from federal income taxation. One such requirement mandates the redemption of bonds in circumstances in which the bond proceeds are not used to make loans within certain prescribed periods. In particular, section 149(f) of the Code requires the following: the issuer (i) must reasonably expect that, within the one-year period beginning on the date of issue, at least 30 percent of the net proceeds of the issue will be used directly or indirectly to make loans (the "One-Year Computation Period"); and (ii) must redeem outstanding bonds within 90 days after the end of such one-year period to the extent of, and in an amount equal to the unused proceeds, *i.e.*, the difference between the amount actually used and an amount equal to 30 percent of the net proceeds of the issue; and the issuer (i) must reasonably expect that within the three-year period beginning on the date of issue, at least 95 percent of the net proceeds of the issue will be used directly or indirectly to make loans (the "Three-Year Computation Period"); and (ii) must redeem outstanding bonds within 90 days after the end of such three-year period to the extent of, and in an amount equal to the unused proceeds, *i.e.*, the difference between the amount actually used and an amount equal to 95 percent of the net proceeds of the issue.

At the date of issuance of the Bonds, a portion of the Bond proceeds will be held by the Board and applied from time to time after the issuance of the Bonds to fund loans for Financial Assistance Projects. See "**SOURCES AND USES OF FUNDS.**" The Board reasonably expects to expend more than 30 percent and 95 percent of such proceeds, during the one-year and three-year periods, respectively. To comply with the foregoing requirement in the event these expectations are not achieved by the Board, the Bonds are subject to extraordinary mandatory redemption at the end of the one-year and three-year periods as required by section 149(f) of the Code. To the extent proceeds of the Bonds are held by the Board to fund loans and are not expended within such one-year or three-year periods, any such unexpended proceeds will be used to redeem the Bonds as further described below. In accordance with section 149(f)(7) of the Code, only the portion of the proceeds of the Bonds that is reasonably expected, as of the issue date of the Bonds, to be used to originate loans to political subdivisions is subject to the redemption requirements set forth in section 149(f) of the Code.

Previously Issued Pooled Financing Bonds. The State of Texas Water Financial Assistance Bonds described below (collectively, the "Pooled Financing Bonds ") were issued subject to the requirements described in the previous paragraph.

Bonds Series	Par Amount	Delivery Date	Attainment of 1-year/30% requirement	Attainment of 3-year/95% requirement
2008A (Water Infrastructure Fund)	\$112,920,000	05/22/08	07/24/08	03/30/09
2009A (Water Infrastructure Fund)	144,995,000	03/10/09	03/30/09	04/29/09
2009B (Water Infrastructure Fund)	157,240,000	05/28/09	09/22/09	01/15/10
2009C-1	225,385,000	06/30/09	07/06/09	03/24/11
2009E (Water Infrastructure Fund)	101,400,000	12/15/09	12/29/09	10/14/10
2009F (Economically Distressed Areas Program)	24,540,000	12/15/09	12/29/09	01/11/11
2010B (Water Infrastructure Fund)	143,225,000	05/11/10	06/22/10	12/02/10
2010C (State Participation Program)	42,280,000	05/11/10	05/28/10	05/28/10
2011A (Water Infrastructure Fund)	129,540,000	06/14/11	08/23/11	08/23/11
2011B	92,255,000	10/04/11	12/14/11	06/08/12
2012A (Water Infrastructure Fund)	39,930,000	02/07/12	03/29/12	04/04/12
2012B (Economically Distressed Areas Program)	14,955,000	02/07/12	09/11/12	11/01/12
2012C	149,645,000	04/10/12	06/08/12	06/08/12
2012F (Economically Distressed Areas Program)	29,385,000	09/05/12	11/01/12	03/05/13
2012G	156,065,000	10/02/12	11/21/12	11/21/12
2013A (Water Infrastructure Fund)	42,470,000	02/12/13	05/07/13	05/07/13
2013B	56,515,000	08/01/13	09/25/13	12/18/14
2015E (Economically Distressed Areas Program)	43,715,000	06/18/15	06/26/15	10/28/15
2015F	37,790,000	06/18/15	06/26/15	10/28/15
2016A (Economically Distressed Areas Program)	45,735,000	04/19/16	07/12/16	07/18/16
2016B Subseries 2016 B-1*	58,555,000	07/14/16	08/18/16	06/29/17
2017A	53,815,000	06/20/17	06/29/17	10/30/17

* Includes amount for refunding purposes

As described in the foregoing table, all of the proceeds of the Pooled Financing Bonds have been used to make loans prior to the expiration of the periods prescribed by section 149(f) of the Code. The information provided regarding the previously issued Pooled Financing Bonds is provided as a reference and should not be used to project future performance by the Board with regard to the Bonds. Results may differ in connection with the use of proceeds of the Bonds.

Extraordinary Mandatory Redemption. The Bonds maturing on and after August 1, 2019, are subject to extraordinary mandatory redemption prior to their scheduled maturities on March 12, 2019 (the "One-Year Extraordinary Mandatory Redemption"), in an amount equal to the Computation Amount (as hereinafter defined) applicable to the One-Year Computation Period for the Bonds, plus accrued interest to the date of such extraordinary redemption at the redemption prices set forth below (approximately 102% of the accreted value or amortized issue price for each maturity of the Bonds), expressed as percentages of the principal amount of each maturity of the Bonds so redeemed. The Bonds maturing on and after August 1, 2021, are subject to extraordinary mandatory redemption prior to their scheduled maturities on, March 12, 2021 (the "Three-Year Extraordinary Mandatory Redemption"), in an amount equal to the Computation Amount applicable to the Three-Year Computation Period for the Bonds, plus accrued interest to the date of such extraordinary redemption at the redemption prices set forth below (approximately 102% of the accreted value or amortized issue price for each maturity of the Bonds), expressed as percentages of the principal amount of each maturity of the Bonds so redeemed.

Extraordinary Mandatory Redemption Price (%)

<u>Maturity (August 1)</u>	<u>On March 12, 2019</u>	<u>On March 12, 2021</u>	<u>CUSIP Prefix: 882724⁽¹⁾</u>
2019	102.944		EY9
2020	106.633		EZ6
2021	109.761	103.275	FA0
2022	112.709	106.460	FB8
2023	115.381	109.414	FC6
2024	117.830	112.144	FD4
2025	119.990	114.603	FE2
2026	119.523	114.285	FF9
2027	119.191	114.057	FG7
2028	118.860	113.831	FH5
2029	118.530	113.605	FJ1

The Resolution defines "Computation Amount" as surplus proceeds (rounded to the next higher \$5,000 denomination) equal to the remainder of (A) thirty percent (30%) of the net proceeds less proceeds of the Bonds directly or indirectly used to make loans to political subdivisions as of the last day of the One-Year Computation Period (but not less than zero) or (B) ninety-five percent (95%) of the net proceeds less the proceeds of the Bonds directly or indirectly used to make loans to political subdivisions as of the last day of the Three-Year Computation Period (but not less than zero).

Following the earlier of (i) the 90th day after the Three-Year Computation Period for the Bonds and (ii) the date on which 95 percent of the proceeds of the Bonds have been used to make loans, if such date occurs prior to the end of the Three-Year Computation Period for the Bonds, the Bonds shall not be subject to extraordinary redemption.

The foregoing notwithstanding, the Bonds are not subject to such extraordinary mandatory redemption if the Board obtains an opinion of nationally-recognized bond counsel to the effect that, if the Board does not cause the extraordinary mandatory redemption to occur, it will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes.

For purposes of the One-Year Extraordinary Mandatory Redemption and the Three-Year Extraordinary Mandatory Redemption, as the case may be, the Bonds that are subject to such redemption will be selected on a "Pro Rata Basis" (defined below); provided, that if any amount required to be redeemed remains after such selection, such remaining amount will be applied to the redemption of \$5,000 principal amount of each maturity of the Bonds in inverse order of maturity. The term "Pro Rata Basis" means that the principal amount of a particular maturity will be determined by multiplying the Computation Amount by the ratio which the principal amount of Bonds of such maturity then outstanding bears to the aggregate principal amount of Bonds then outstanding and subject to redemption.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption, (a) a written notice of such redemption will be given to the registered owner of each Bond, or portion thereof, that is being called for redemption by depositing such notice in the United States mail, first-class-postage prepaid, addressed to each such registered owner at such owner's address shown on the registration books of the Paying Agent/Registrar and notice of such redemption shall (but will not be a condition to such redemption) be published one time in, or posted electronically on the website of, a financial journal or publication of general circulation in the United States of America or the State carrying as a regular feature notices of municipal bonds called for redemption. The failure to send, mail, or receive such notice described in clause (a) above, or any defect therein or in the sending or mailing thereof, will not affect the validity or effectiveness of the proceedings for the redemption of any Bond. By the date fixed for any such redemption, due provision will be made by the Board with the Paying Agent/Registrar for the payment of the required redemption price for Bonds or the portion thereof which are to be so redeemed, plus accrued interest thereon to the date fixed for redemption.

The Board reserves the right to give notice of its election to optionally redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of monies and/or Defeasance Securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the Board retains the right to rescind such notice at any time prior to the scheduled redemption date if the Board delivers a certificate or other direction to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice of redemption shall be of no effect if such monies and/or Defeasance Securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission to the affected Owners. Any Bonds subject to conditional redemption where redemption has been rescinded shall not constitute an event of default and shall remain outstanding.

SHOULD NOTICE TO CALL THE 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 PAYING AGENT/REGISTRAR WITH AMOUNTS SUFFICIENT TO AFFECT ON THE DATE FIXED FOR REDEMPTION THE PAYMENT OF THE ENTIRE REDEMPTION PRICE OF THE BONDS SO CALLED FOR REDEMPTION, NO SUCH BONDS SHALL BE REDEEMED ON THE DATE FIXED FOR REDEMPTION, AND THE NOTICE OF REDEMPTION FOR SUCH BONDS SHALL BE NULL AND VOID.

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A. In the Resolution, the Board retains the right to replace the Paying Agent/Registrar. The Board covenants in the Resolution to maintain and provide a Paying Agent/Registrar for the Bonds at all times while the Bonds are outstanding and any successor Paying Agent/Registrar is required to be a competent and legally qualified bank or trust company which shall be a corporation organized and doing business under the laws of the United States of America or any state, authorized under such laws to exercise trust powers and subject to supervision by federal or state authority. Upon any change in the Paying Agent/Registrar for the Bonds, the Board agrees to promptly cause a written notice thereof to be sent by the new Paying Agent/Registrar for the Bonds to each registered owner of the affected Bonds by United States mail, first-class-postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Transfer, Exchange and Registration

In the event the use of the Book-Entry-Only System should be discontinued, the Bonds will be printed and delivered to the beneficial owners thereof and, thereafter, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar for the Bonds only upon presentation and surrender thereof to the Paying Agent/Registrar at its designated corporate trust office, currently the Paying Agent/Registrar's corporate trust office in Dallas, Texas (the "Designated Payment/Transfer Office"). Such transfer or exchange will be at the expense of the registered owner of any Bond requesting any exchange, in addition to any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer; except, however, that in the case of the exchange of an assigned and transferred Bond or any portion thereof in any authorized denominations, and in the case of the exchange of the unredeemed portion of a Bond which has been redeemed in part prior to maturity, such fees and charges will be paid by the Board. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar for the Bonds. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond or Bonds being transferred or exchanged, at the designated corporate trust office of the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer.

See "APPENDIX E – Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds.

Limitation on Transfer of Bonds Called for Redemption

Neither the Board, the State, nor the Paying Agent/Registrar for the Bonds will be required (a) to issue, transfer, or exchange any Bond subject to redemption during a period beginning at the opening of business thirty (30) days before the day of the first mailing of a notice of redemption of the Bonds and ending at the close of business on the day of such mailing or (b) to transfer or exchange any Bond after it is selected for redemption in whole or in part, prior to the redemption date; except that at the option of the registered owner of at least \$1,000,000 in principal amount of Bonds, the Paying Agent/Registrar is required to transfer or exchange any Bond which has been selected in whole or in part for redemption upon surrender thereof. In such event, the Paying Agent/Registrar may make such arrangements as it deems appropriate for notation on each new Bond issued in exchange for or upon transfer of the Bond so selected for redemption of an appropriate legend to the effect that such new Bond has been so selected for redemption.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General Obligation Pledge

THE BONDS ARE GENERAL OBLIGATIONS OF THE STATE, AND AS PROVIDED IN SECTIONS 49-d-8, 49-d-9 AND 49-d-11, AND THE ACT, THE FULL FAITH AND CREDIT OF THE STATE IS PLEDGED FOR THE FAITHFUL PERFORMANCE OF ALL COVENANTS, RECITALS AND STIPULATIONS IN THE RESOLUTION AND THE BONDS.

Section 49-d-8 provides that if there is not enough money in the Financial Assistance Account, EDAP Account or State Participation Account, (together, the "Water Assistance Accounts") available to pay the principal of, premium, if any, and interest on the Water Assistance Bonds payable from such account, including money to make payments by the Board under any Bond Enhancement Agreement (as defined below) with respect to principal of or interest on such Water Assistance Bonds, there is appropriated out of the first money coming into the State Treasury in each fiscal year, not otherwise appropriated by the Constitution, an amount that is sufficient to pay such obligations maturing or becoming due during that fiscal year. If there is not sufficient money in the applicable Water Assistance Account to pay such Water Assistance Bonds payable from such Water Assistance Account, the Texas Water Code directs the Board to notify the Comptroller of such insufficiency and requires the Comptroller to transfer to the applicable Water Assistance Account the first money coming into the State Treasury not otherwise appropriated by the Constitution in amounts sufficient to pay such obligations. The Resolution establishes procedures by which the Board will seek transfers from the Comptroller (see "WATER ASSISTANCE BOND PROGRAM").

Pursuant to Section 49-j of Article III of the Constitution (adopted on November 4, 1997), the Texas Legislature (the "Legislature") is prohibited from authorizing additional State debt payable from the State's General Revenue Fund, including authorized but unissued bonds and lease purchase contracts in excess of \$250,000, if the resulting annual debt service in any State fiscal year in which such State debt payable from general revenues exceeds five percent of an amount equal to the average amount of general revenue for the three preceding fiscal years, excluding revenues constitutionally dedicated for purposes other than payment of debt service. For purposes of such limitation, "State debt payable from the State's General Revenue Fund" does not include debt that, although backed by the full faith or credit of the State, is reasonably expected to be paid from other revenue sources and that is not expected to create a general revenue draw. The Board anticipates that the bonds will not be subject to this limitation. Appropriations have been made by the Legislature to pay debt service on EDAP Bonds as well as bonds issued for the Water Infrastructure Fund including the bonds. Notwithstanding the limitation on the ability of the Legislature to authorize additional State debt, the Bonds offered by this Official Statement are general obligations of the State, as described above, and are payable from the sources described under this heading.

The Board is authorized and may, at any time, enter into a bond enhancement agreement (a "Bond Enhancement Agreement") with respect to any of its Water Assistance Bonds. Section 49-d-8 provides that payments under any Bond Enhancement Agreement with respect to principal of, and interest on, Water Assistance Bonds will be paid out of the Development Fund II account for which such Water Assistance Bonds were issued. While the Board does not anticipate entering into any Bond Enhancement Agreement related to the issuance of the Bonds, the Board has the ability to enter into a Bond Enhancement Agreement at any time, including subsequent to the issuance of the Bonds. For a reference to information describing the financial condition of the State, see **APPENDIX A** attached hereto.

Perfection of Security

Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the security granted by the Board under the Bond Resolution, and such pledge is therefore valid, effective and perfected. If State law is amended at any time while any Bonds are outstanding and unpaid such that the pledge of the security granted by the Board under the Bond Resolution is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve for the owners of Bonds the perfection of the security interest in said pledge, the Board has agreed to take such measures as it determines are reasonable and necessary under State law to comply with the provisions of Chapter 9, Texas Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Enforcement of Payment

The right of mandamus in any court of competent jurisdiction is specifically provided in the Texas Water Code to enforce payment of the Bonds, and obligations incurred under Bond Enhancement Agreements with respect to the Bonds, and the performance of official duties prescribed by Section 49-d-8 to make the transfers of funds as required.

Defeasance

The Resolution provides that any Bond issued thereunder will be deemed paid and no longer Outstanding (a "Defeased Bond") when payment of the principal of and premium, if any, on such Bond, plus interest thereon to the due date thereof (by maturity or otherwise), shall have been provided by the Board irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other similar instrument for such payment (a) lawful money of the United States of America sufficient to make such payment or (b) Defeasance Securities (as defined below) that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Board with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. As used above and specified in the Approval Certificate, "Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America and (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. The Defeasance Securities are to be rated by a nationally recognized investment rating firm not less than "AAA" or its equivalent, on the date the Board authorizes 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. In addition, to the extent then allowed by state law, the term Defeasance Securities shall include noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality, and that are rated as to investment quality by a nationally recognized investment rating firm with a rating that is not less than the rating assigned by such firm to United States government securities.

Upon such deposit as described above, such Bonds shall no longer be regarded to be Outstanding or unpaid. The Board has reserved the option, however, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the Board, in the proceedings providing for the firm banking and financial arrangements, (i) expressly reserves the right to call the Defeased Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Defeased Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Amendment of Resolution With Consent of Registered Owners

The registered owners aggregating in principal amount 51% of the aggregate principal amount of the Bonds (not including any Bonds held by or for the account of the Board) at the time Outstanding shall have the right from time to time to approve any amendment of the Resolution authorizing the issuance of the Bonds which may be deemed necessary or desirable by the Board; provided, however, that nothing therein shall permit or be construed to permit the amendment of the terms and conditions contained in the Resolution or in the Bonds so as to:

- (i) make any change in the maturity of any of the Bonds;
- (ii) reduce the rate of interest borne by any of the Bonds;
- (iii) reduce the amount of the principal payable on any of the Bonds;
- (iv) modify the terms of payment of principal of or interest on any of the Bonds, or impose any conditions with respect to such payment;
- (v) change the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment; or
- (vi) affect the rights of the registered owners of less than all of the Bonds then outstanding;

unless such amendment or amendments be approved by the registered owners of all of the Bonds at the time Outstanding.

Amendment of Resolution Without Consent of Registered Owners

The Board may, without the consent of the registered owners of the Bonds, pursuant to an amendatory resolution from time to time:

- (i) impose conditions or restrictions additional to, but not in diminution of, those contained in each Resolution respecting the issuance of the Bonds;
- (ii) undertake covenants additional to but not inconsistent with those contained in each Resolution;
- (iii) correct any ambiguity or correct or supplement any inconsistent or defective provision contained in any Resolution or any amendatory resolution;
- (iv) adopt amendments to any Resolution that provide for the payment of principal of and interest on the Bonds or the payment of administrative expenses of the Board from Bond proceeds; or
- (v) adopt amendments to any Resolution that, in the opinion of bond counsel acceptable to the Board, do not adversely affect the registered owners.

In addition to the foregoing, the Board expressly reserves the right, without prior notice to or consent from the registered owners of the Bonds, to amend certain provisions of the Resolution to reflect subsequent amendments to the Constitution and the Act, including, without limitation, amendments altering:

- (i) the administration of Development Fund II; or
- (ii) the accounts within Development Fund II; or
- (iii) the deposit or application of money received by the Board as repayments of loans to political subdivisions and interest on those loans, or proceeds from the sale, transfer or lease of facilities held for any account within Development Fund II; or
- (iv) the use of the proceeds of the Bonds; or
- (v) the rights, duties and obligations of the Comptroller as specified in the Resolution; or
- (vi) the procedure for payment of the Bonds; or
- (vii) the payment of expenses of administering Development Fund II and other authorized expenses of the Board; or
- (viii) the administration of the Water Infrastructure Fund;

provided, however, that such amendments to any Resolution can be made only if:

- (a) the Board receives an opinion of bond counsel acceptable to the Board to the effect that such amendments comply with the Act, that the Bonds continue to be general obligations of the State and the Constitution provides for appropriation out of the first money coming into the State Treasury in each fiscal year, not otherwise appropriated by the Constitution, of an amount sufficient to pay the principal of or interest on the Bonds that mature or become payable during that Fiscal Year, to the extent the same are not otherwise paid from funds pledged to their payment; and
- (b) bond counsel acceptable to the Board renders an opinion substantially to the effect that any such amendment will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes; and
- (c) each nationally-recognized securities rating agency providing a rating on the Bonds at the time the Bonds were initially delivered to the Underwriters and that has a then existing rating thereon confirms in writing that subsequent to any such amendment, the Bonds will continue to be rated as general obligation bonds of the State.

If the Board so amends any Resolution without the consent of registered owners as provided in this subsection, it shall cause notice of such amendment to be published one time in a financial newspaper or journal of general circulation in the City of New York, New York, or the City of Austin, Texas. Such notice shall contain a summary of the amendatory language, recite that the conditions set forth in items (a) through (c) above have been satisfied, and recite the effective date of such amendment. Such notice shall be published within thirty days of the effective date of such amendment. Such notice shall state that a copy thereof is on file at the principal office of the Board for inspection. Such publication is not required, however, if written notice is given to each registered owner of the affected Bonds.

WATER ASSISTANCE BOND PROGRAM

Development Fund I

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 the Board had been authorized to issue up to \$2,480,000,000 in general obligation bonds for various water development purposes ("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 for Development Fund I. In an effort to aggregate the authority of various constitutional amendments, voters approved Section 49-d-8 in 1997 which provided that bonds otherwise authorized by Sections 49-c, 49-d, 49-d-1, 49-d-2, 49-d-5, 49-d-6 and 49-d-7 of Article III of the Constitution (the "Development Fund I Constitutional Provisions") could be issued as Water Assistance Bonds to augment Development Fund II. Thereafter, all of the liabilities and assets formerly held in Development Fund I were transferred to Development Fund II.

Development Fund II

Development Fund II was established pursuant to Section 49-d-8, in 1997. Development Fund II is a fund in the State Treasury separate and legally distinct from Development Fund I. Section 49-d-8 provides that bonds otherwise authorized by the Development Fund I Constitutional Provisions can be issued to augment Development Fund II. Since Section 49-d-8 consolidated 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 ceased issuing bonds to augment Development Fund I. In addition, the voters of the State approved Section 49-d-9 in 2001, which authorizes the Board to issue additional general obligation bonds for one or more accounts of Development Fund II in an amount not to exceed \$2 billion. Additional bonds have been issued under such authorizations and the additional bond authorization under Section 49-d-9 has been exhausted.

Section 49-d-8 limits the authorized amount of EDAP Bonds that may be issued by the Board under that section to \$250 million in the aggregate, and the Board has previously issued EDAP Bonds in such amount pursuant to that section (including Water Development Bonds previously issued pursuant to subsection (b) of Section 49-d-7 of the Constitution.) In November 2007, the Constitution was amended to add Section 49-d-10, which authorized the Board to issue up to \$250 million in additional general obligation bonds as EDAP Bonds to augment the EDAP Account. No EDAP Bonds are being issued pursuant to this Official Statement.

Section 49-d-11 was approved by the voters of the State on November 8, 2011, authorizes the Board to issue additional general obligation bonds for one or more accounts of Development Fund II in amounts such that the aggregate principal amount of bonds issued under Section 49-d-11 that are outstanding at any time does not exceed \$6 billion. The effect of the provisions of Section 49-d-11 is that, unlike bonds issued under authority of the Development Fund I Constitutional Provisions, Section 49-d-9 and Section 49-d-10, (which provide that the authority to issue bonds is extinguished once bonds are issued), once bonds issued under authority of Section 49-d-11 are no longer outstanding by their terms, the authority under Section 49-d-11 to issue bonds in a like principal amount made available to the Board.

Major Accounts within Development Fund II

Within Development Fund II, the Board has established the "Financial Assistance Bond Payment Account" the "State Participation Bond Payment Account," the "EDAP Bond Payment Account," and other accounts necessary for the proper administration of Development Fund II, as determined by the Board. In addition, the Board has the authority to create additional accounts as may be needed to administer its programs. Money on deposit in the Financial Assistance Account may be used for Water Assistance Projects; money on deposit in the State Participation Account may be used for State Participation Projects and money on deposit in the EDAP Account may be used for EDAP Projects. Money in each such account can be used to pay the expenses of the Board in connection with the issuance of bonds for such account and the administration of such account and for the payment of debt service on bonds issued for such account, including payments, if any, required under a Bond Enhancement Agreement with respect to principal of and interest on such bonds.

Section 49-d-8 and the Texas Water Code provide that the Financial Assistance Account, the State Participation Account, the Water Infrastructure Fund, and the EDAP Account are separate and distinct from one another and that each such account is a source of payment for Water Assistance Bonds issued with respect to that account. The Board has also established (i) the Financial Assistance Bond Payment Account (with respect to the Financial Assistance Bonds) (the "Financial Assistance Bond Payment Account"), (ii) the State Participation Bond Payment Account (with respect to the State Participation Bonds) (the "State Participation Bond Payment Account") and (iii) the Economically Distressed Areas Program Bond Payment Account (with respect to the EDAP Bonds) (the "EDAP Bond Payment Account"). Accordingly, (i) the Financial Assistance Account and the Financial Assistance Bond Payment Account constitute sources of payment only for the Financial Assistance Bonds, (ii) the State Participation Account and the State Participation Bond Payment Account constitute sources of payment only for State Participation Bonds (none of which are being issued pursuant to this Official Statement) and (iii) the EDAP Account and the EDAP Bond Payment Account constitute sources of payment only for the EDAP Bonds (none of which are being issued pursuant to this Official Statement).

Financial Assistance Bonds

Money in the Financial Assistance Account is available (i) to provide financial assistance to political subdivisions for water supply, water quality enhancement and flood control purposes and (ii) for transfers to any state revolving fund administered by the Board, for transfers to the Rural Water Assistance Fund ("RWAF"), and for transfers to the Water Infrastructure Fund (collectively, "Water Assistance Projects"). See "**WATER ASSISTANCE BOND PROGRAM - Water Infrastructure Fund**" and "**OTHER FINANCIAL ASSISTANCE PROGRAMS OF THE BOARD.**" Under the provisions of Section 49-d-8, Financial Assistance Bonds are payable from available money on deposit in the Financial Assistance Account. To the extent that there is not sufficient money in the Financial Assistance Account to pay the principal of and interest on Financial Assistance Bonds, including to make payments, if any, required under a Bond Enhancement Agreement with respect to principal of, and interest on, any such bonds, the Constitution appropriates an amount sufficient to make such payments out of the first money coming into the State Treasury in each fiscal year, which money is not otherwise appropriated by the Constitution. See "**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - General Obligation Pledge.**" Currently, there are no Bond Enhancement Agreements executed and in effect in support of Water Assistance Bonds, and the Board does not intend, but reserves the right, to execute and deliver a Bond Enhancement Agreement in support of the Bonds.

Historically, the Board's policy historically has been that debt service on Financial Assistance Bonds be self-supporting, such that program revenues flowing into the Financial Assistance Account will be sufficient to meet debt service requirements on outstanding Financial Assistance Bonds. No assurance, however, can be given that subsequent events, including, without limitation, changes in relevant constitutional or statutory provisions, will not cause the Board to change such policy.

The foregoing notwithstanding, the Board has issued Financial Assistance Bonds to augment the Water Infrastructure Fund. The Board anticipates that the Legislature will continue to appropriate general revenues of the State to support the payment of debt service on Water Infrastructure Bonds until such time that program assets and revenues are sufficient to meet debt service requirements. See "**WATER ASSISTANCE BOND PROGRAM – Water Infrastructure Fund.**"

Financial Assistance Account. Consistent with the Texas Water Code and Section 49-d-8, the Financial Assistance Account receives the following moneys, which will be used as further described below:

- (i) Money and Assets Attributable to Bonds (hereinafter defined) designated by the Board as issued for Water Assistance Projects;
- (ii) payments received under a Bond Enhancement Agreement with respect to Financial Assistance Bonds;
- (iii) investment income earned on money on deposit in the Financial Assistance Account; and
- (iv) any other funds, regardless of their source, that the Board directs to be deposited to the credit of the Financial Assistance Account.

See **APPENDIX B** attached hereto for unaudited financial data relating to the Water Infrastructure Fund for various fiscal years, including the fiscal year ended August 31, 2017. See "**OTHER INFORMATION – Unaudited Financial Information.**"

Financial Assistance Bond Payment Account. The Board has established the Financial Assistance Bond Payment Account as a special account into which amounts will be deposited, as more fully described below, from the Financial Assistance Account, or otherwise from the State Treasury, and used to pay the principal of, premium, if any, and interest payable on the Financial Assistance Bonds, including, to the extent determined by the Board, amounts sufficient to make payments, if any, required under one or more Bond Enhancement Agreements with respect to principal or interest on such Financial Assistance Bonds. In the case of Water Infrastructure Bonds, appropriations from the State's General Revenue Fund and moneys received from repayments of loans made from the Water Infrastructure Fund shall be used to pay debt service on Water Infrastructure Bonds, such moneys will be deposited to the credit of an account within the Water Infrastructure Fund (the "Water Infrastructure Fund Bond Payment Account") to pay debt service on Water Infrastructure Fund Bonds. See "**WATER ASSISTANCE BOND PROGRAM – Water Infrastructure Fund.**"

Financial Assistance Bonds Flow of Funds. On or before the date debt service on the Financial Assistance Bonds is scheduled to become due and payable, the Board must cause to be transferred, from moneys available for such purpose in the Financial Assistance Account or, in the case of repayments of principal and interest loans funded with the proceeds of the Refunded Bonds and made to political subdivisions from the Water Infrastructure Fund, amounts available in the Water Infrastructure Fund Bond Payment Account, to the Financial Assistance Bond Payment Account an amount which will be sufficient to pay the principal of and premium, if any, and interest on the Financial Assistance Bonds, including, to the extent determined by the Board, an amount which will be sufficient to make payments by the Board under one or more Bond Enhancement Agreements with respect to principal or interest on such Financial Assistance Bonds, when such interest or interest and principal, and premium, if any, or such payments, if any, become due and payable, with allowance being made for money currently on deposit in the Financial Assistance Bond Payment Account and available to make such payments.

If the Executive Administrator or the designee thereof determines within 15 days of a debt service payment date that the money available in the Financial Assistance Account or, in the case of the Bonds, the Water Infrastructure Bond Payment Account, for transfer to the Financial Assistance Bond Payment Account, as described above, is not sufficient to pay the principal of, premium, if any, and interest on the Financial Assistance Bonds which then are outstanding and are scheduled to be due and payable on such interest or principal payment date, including, to the extent determined by the Board, an amount which will be sufficient to make payments by the Board under one or more Bond Enhancement Agreements with respect to principal or interest on such Financial Assistance Bonds, the Executive Administrator or the designee thereof is required to request the Comptroller to deposit no later than three days prior to such interest or principal payment date, or as soon thereafter as sufficient money has been received in the State Treasury, in the Financial Assistance Bond Payment Account out of the first money coming into the State Treasury, sufficient money so that the total amount in the Financial Assistance Bond Payment Account will be sufficient to pay the principal, premium, if any, and interest to mature and come due on the Financial Assistance Bonds on such interest or principal payment date, or to make any payments by the Board, to the extent determined by the Board, under any Bond Enhancement Agreement with respect to principal or interest on such Financial Assistance Bonds, and to pay all collection and exchange charges in connection therewith.

After making the transfers for the benefit of the Financial Assistance Bond Payment Account, other available money remaining in the Financial Assistance Account may, at the direction of the Board, be used for Water Assistance Projects and all of the purposes for which the Board may expend money in the Financial Assistance Account under Section 49-d-8; provided, however, that repayments of principal and interest from loans made to Rural Political Subdivisions from the Rural Water Assistance Fund not otherwise needed as a source of revenue to pay the principal of, premium, if any, and interest on Financial Assistance Bonds shall, at the direction of the Board, be retained in the Rural Water Assistance Fund and be used for the purposes for which the Board may expend moneys under Subchapter R, Chapter 15, Texas Water Code. See "**WATER ASSISTANCE BOND PROGRAM – Development Fund II.**"

Notwithstanding the foregoing, money in the Financial Assistance Account representing proceeds from Financial Assistance Bonds, prepayments of financial assistance provided from the Financial Assistance Account or proceeds from the sale or other disposition of the Board's rights to receive repayments of such financial assistance are not available for transfer to the Financial Assistance Bond Payment Account unless by resolution the Board specifically authorizing the transfer of any such proceeds or prepayments so identified in said resolution to the Financial Assistance Bond Payment Account.

State Participation Bonds

No State Participation Bonds are being offered pursuant to this Official Statement. Bonds heretofore issued to provide financial assistance pursuant to the Board's State Participation Program, have resulted in draws on the State's general revenue funds. The Board does not currently anticipate that the State Participation Bonds will result in draws on the State's general revenue funds, and currently anticipates that the program assets and revenues will be sufficient to meet debt service requirements on the currently outstanding State Participation Bonds. See "**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – General Obligation Pledge.**"

State Participation Account. Consistent with the Texas Water Code and Section 49-d-8, the State Participation Account receives the following money, which will be used as further described below:

- (i) Money and Assets Attributable to Bonds (as defined below) designated by the Board as issued for State Participation Projects;
- (ii) money from the sale, transfer, or lease of a State Participation Project that was acquired, constructed, reconstructed, developed, or enlarged with money from the State Participation Account;
- (iii) payments received under a Bond Enhancement Agreement with respect to bonds designated by the Board as issued for State Participation Projects;
- (iv) investment income earned on money on deposit in the State Participation Account; and
- (v) any other funds, regardless of their source, that the Board directs be deposited to the credit of the State Participation Account.

State Participation Bond Payment Account. The Board has established the State Participation Bond Payment Account as a special account into which amounts will be deposited as more fully described below, from the State Participation Account, or otherwise from the State Treasury, and used to pay the principal of, premium, if any, and interest payable on the State Participation Bonds, including, to the extent determined by the Board, amounts sufficient to make payments, if any, required under one or more Bond Enhancement Agreements with respect to principal or interest on such State Participation Bonds.

State Participation Bonds Flow of Funds. On or before the date interest or interest and principal on the State Participation Bonds is scheduled to become due and payable, the Board must cause to be transferred, from moneys available for such purpose in the State Participation Account, to the State Participation Bond Payment Account an amount which will be sufficient to pay the principal of and premium, if any, and interest on the State Participation Bonds, including, to the extent determined by the Board, an amount which will be sufficient to make payments by the Board under one or more Bond Enhancement Agreements with respect to principal or interest on such State Participation Bonds, when such interest or interest and principal, and premium, if any, or such payments, if any, become due and payable, with allowance being made for money currently on deposit in the State Participation Bond Payment Account and available to make such payments.

If the Executive Administrator or the designee thereof determines within 15 days of an interest or principal payment date that the money available in the State Participation Bond Payment Account, as described above, is not sufficient to pay the principal of, premium, if any, and interest on the State Participation Bonds which then are outstanding and are scheduled to be due and payable on such interest or principal payment date, including, to the extent determined by the Board, an amount which will be sufficient to make payments by the Board under one or more Bond Enhancement Agreements with respect to principal or interest on such State Participation Bonds, the Executive Administrator or the designee thereof is required to request the Comptroller to deposit no later than three days prior to such interest or principal payment date, or as soon thereafter as sufficient money has been received in the State Treasury, in the State Participation Bond Payment Account out of the first money coming into the State Treasury, sufficient money so that the total amount in the State Participation Bond Payment Account will be sufficient to pay the principal, premium, if any, and interest to mature and come due on the State Participation Bonds on such interest or principal payment date, or to make any payments by the Board, to the extent determined by the Board, under any Bond Enhancement Agreement with respect to principal or interest on such State Participation Bonds, and to pay all collection and exchange charges in connection therewith.

After making the transfers for the benefit of the State Participation Bond Payment Account, other available money remaining in the State Participation Account may, at the direction of the Board, be used for State Participation Projects and all of the purposes for which the Board may expend money in the State Participation Account under Section 49-d-8. See "**WATER ASSISTANCE BOND PROGRAM – Development Fund II.**"

Notwithstanding the foregoing, money in the State Participation Account representing proceeds from State Participation Bonds, prepayments of financial assistance provided from the State Participation Account or proceeds from the sale or other disposition of the Board's rights to receive repayments of such financial assistance are not available for transfer to the State Participation Bond Payment Account unless by resolution the Board specifically authorizes the transfer of any such proceeds or prepayments so identified in said resolution to the State Participation Bond Payment Account.

EDAP Bonds

No EDAP Bonds are being offered pursuant to this Official Statement. Money in the EDAP Account is available to provide financial assistance to political subdivisions in economically distressed areas for water supply and water quality enhancement purposes consistent with the provisions of Subsection (b) of Section 49-d-7 of Article III of the Constitution and Subchapter K of Chapter 17 of the Texas Water Code, as amended. Under the provisions of Section 49-d-8, EDAP Bonds are payable from available money on deposit in the EDAP Account. Accordingly, the Bonds will be payable from available money on deposit in the EDAP Account. To the extent that there is not sufficient money in the EDAP Account to pay the principal of and interest on EDAP Bonds, including to make payments, if any, required under a Bond Enhancement Agreement with respect to principal of, and interest on, any such bonds, the Constitution appropriates an amount sufficient to make such payments out of the first money coming into the State Treasury in each fiscal year, which money is not otherwise appropriated by the Constitution. See "**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - General Obligation Pledge.**" Currently, there are no Bond Enhancement Agreements executed and in effect in support of EDAP Bonds or other Water Assistance Bonds, and the Board does not intend, but reserves the right, to execute and deliver a Bond Enhancement Agreement in support of the Bonds.

Bonds heretofore issued to provide financial assistance pursuant to the Board's Economically Distressed Areas Program have resulted in draws on the State's general revenue funds. The Board currently anticipates that the EDAP Bonds will result in future draws on the State's general revenue funds. Amounts specifically appropriated by the Legislature in support of debt service on EDAP Bonds are not limitations on general revenue draws, if additional funds are needed during the biennium, since the Constitution itself provides for an appropriation of money needed for the payment of this debt service. See "**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – General Obligation Pledge.**"

EDAP Account. Consistent with the Texas Water Code and Section 49-d-8, the EDAP Account receives the following money, which will be used as further described below:

- (i) Money and Assets Attributable to Bonds (as defined below) designated by the Board as issued for EDAP Projects;
- (ii) money from the sale, transfer, or lease of a EDAP Project that was acquired, constructed, reconstructed, developed, or enlarged with money from the EDAP Account;
- (iii) payments received under a Bond Enhancement Agreement with respect to bonds designated by the Board as issued for EDAP Projects;
- (iv) investment income earned on money on deposit in the EDAP Account; and
- (v) any other funds, regardless of their source, that the Board directs be deposited to the credit of the EDAP Account.

"Money and Assets Attributable to Bonds" means:

- (i) the Board's rights to receive repayment of financial assistance provided from the related account, together with any evidence of such rights;
- (ii) money received from the sale or other disposition of the Board's rights to receive repayment of such financial assistance;
- (iii) money received as repayment of such financial assistance;
- (iv) money and assets attributable to Bonds, including money and assets transferred to the related account from Development Fund I pursuant to Section 49-d-8; and
- (v) money deposited in the related account pursuant to Section 49-d-8.

EDAP Bond Payment Account. The Board has established the EDAP Bond Payment Account as a special account into which amounts will be deposited as more fully described below, from the EDAP Account, or otherwise from the State Treasury, and used to pay the principal of, premium, if any, and interest payable on the EDAP Bonds, including, to the extent determined by the Board, amounts sufficient to make payments, if any, required under one or more Bond Enhancement Agreements with respect to principal or interest on such EDAP Bonds.

EDAP Bonds Flow of Funds. On or before the date interest or interest and principal on the EDAP Bonds is scheduled to become due and payable, the Board must cause to be transferred, from moneys available for such purpose in the EDAP Account, to the EDAP Bond Payment Account an amount which will be sufficient to pay the principal of and premium, if any, and interest on the EDAP Bonds, including, to the extent determined by the Board, an amount which will be sufficient to make payments by the Board under one or more Bond Enhancement Agreements with respect to principal or interest on such EDAP Bonds, when such interest or interest and principal, and premium, if any, or such payments, if any, become due and payable, with allowance being made for money currently on deposit in the EDAP Bond Payment Account and available to make such payments.

If the Executive Administrator or the designee thereof determines within 15 days of an interest or principal payment date that the money available in the EDAP Bond Payment Account, as described above, is not sufficient to pay the principal of, premium, if any, and interest on the EDAP Bonds which then are outstanding and are scheduled to be due and payable on such interest or principal payment date, including, to the extent determined by the Board, an amount which will be sufficient to make payments by the Board under one or more Bond Enhancement Agreements with respect to principal or interest on such EDAP Bonds, the Executive Administrator or the designee thereof is required to request the Comptroller to deposit no later than three days prior to such interest or principal payment date, or as soon thereafter as sufficient money has been received in the State Treasury, in the EDAP Bond Payment Account out of the first money coming into the State Treasury, sufficient money so that the total amount in the EDAP Bond Payment Account will be sufficient to pay the principal, premium, if any, and interest to mature and come due on the EDAP Bonds on such interest or principal payment date, or to make any payments by the Board, to the extent determined by the Board, under any Bond Enhancement Agreement with respect to principal or interest on such EDAP Bonds, and to pay all collection and exchange charges in connection therewith.

After making the transfers for the benefit of the EDAP Bond Payment Account, other available money remaining in the EDAP Account may, at the direction of the Board, be used for EDAP Projects and all of the purposes for which the Board may expend money in the EDAP Account under Section 49-d-8.

Notwithstanding the foregoing, money in the EDAP Account representing proceeds from EDAP Bonds, prepayments of financial assistance provided from the EDAP Account or proceeds from the sale or other disposition of the Board's rights to receive repayments of such financial assistance are not available for transfer to the EDAP Bond Payment Account unless by resolution the Board specifically authorizes the transfer of any such proceeds or prepayments so identified in said resolution to the EDAP Bond Payment Account.

Water Infrastructure Fund

Section 49-d-9 requires that \$50,000,000 of the bonds authorized to be issued under Section 49-d-9 be used for the Water Infrastructure Fund, a special fund in the State Treasury established under Subchapter Q of Chapter 15 of the Texas Water Code to provide financial assistance to eligible Texas political subdivisions (the "Water Infrastructure Fund"). The Board met this requirement in 2008. Since 2007, the Legislature has authorized appropriations of money from the State's General Revenue Fund to support the payment of debt service on general obligation bonds issued for the Water Infrastructure Fund ("Water Infrastructure Bonds"). Appropriations of money from the State's General Revenue Fund are expected to be used to defray a portion of the debt service payable on the Water Infrastructure Bonds heretofore and hereafter issued by the Board.

The Board may direct the Comptroller to transfer amounts from the Financial Assistance Account to the Water Infrastructure Fund to provide financial assistance under the Texas Water Code for the purposes provided in Subchapter Q, 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 Water Infrastructure Fund.

See Footnote (5) to "TABLE 1: WATER ASSISTANCE BONDS" for the amount of Financial Assistance Bonds previously issued to provide funds for the Water Infrastructure Fund.

TABLE 1: WATER ASSISTANCE BONDS

As of June 15, 2018

Constitutional Provision ⁽¹⁾	Purpose	Constitutionally Authorized Amount	Previously Issued	Amount Being Issued	Authorized But Unissued
Development Fund I					
Constitutional Provision	DFUND I	\$ 2,480,000,000	\$ 1,467,190,000	\$0	\$0 ⁽²⁾
Section 49-d-8 ⁽²⁾	DFUND II	1,012,810,000 ⁽²⁾	1,012,810,000 ⁽³⁾	0	0
Section 49-d-9	DFUND II	2,000,000,000 ⁽⁴⁾	2,000,000,000 ⁽⁵⁾	0	0
Section 49-d-10	DFUND II (EDAP)	250,000,000	196,507,620	0	53,492,380
Section 49-d-11 ⁽⁶⁾	DFUND II	6,000,000,000	72,185,000	-	5,927,815,000
Totals			<u>\$ 4,748,692,620</u>	<u>\$ -</u>	<u>\$ 5,981,307,380</u>

⁽¹⁾ All section references are to Article III of the Texas Constitution.

⁽²⁾ In an effort to aggregate the voted authority of various constitutional amendments, Section 49-d-8 provided that bonds otherwise authorized by the Development Fund I Constitutional Provisions could be issued as Water Assistance Bonds to augment Development Fund II. The remaining authorization under the Development Fund I Constitutional Provisions was used for bonds issued to augment Development Fund II.

⁽³⁾ Section 49-d-8 limits the authorized amount of EDAP Bonds that may be issued by the Board under that section to \$250,000,000 in the aggregate, and the Board has previously issued EDAP Bonds in such amount under such authorization (including Water Development Bonds issued pursuant to subsection (b) of Section 49-d-7 of the Constitution).

⁽⁴⁾ Section 49-d-9 requires that \$50,000,000 of the bonds authorized to be issued under Section 49-d-9 be used for the Water Infrastructure Fund to provide financial assistance to eligible Texas political subdivisions, a requirement that the Board met in 2008. See "WATER ASSISTANCE BOND PROGRAM – Water Infrastructure Fund."

⁽⁵⁾ Included in this amount are Financial Assistance Bonds issued by the Board in the aggregate principal amount of \$871,720,000 to provide funds for the Water Infrastructure Fund, of which \$580,950,000 in principal is still outstanding. See "WATER ASSISTANCE BOND PROGRAM – Water Infrastructure Fund."

⁽⁶⁾ Section 49-d-11 authorizes the Board to issue additional general obligation bonds for one or more accounts of Development Fund II in amounts such that the aggregate principal amount of bonds issued under Section 49-d-11 that are outstanding at any time does not exceed \$6 billion.

OTHER FINANCIAL ASSISTANCE PROGRAMS OF THE BOARD

In addition to the financial assistance programs described under the "WATER ASSISTANCE BOND PROGRAM" section of this Official Statement, the Board administers other assistance programs which are funded with special revenues, general revenues or the proceeds of general obligation bonds of the State. The following is a brief summary of such programs. **None of the following programs are being funded with proceeds from the Bonds to be issued pursuant to this POS.**

Texas Agricultural Water Conservation Bond Program

Article III, Section 50-d of the Constitution (adopted in 1985) authorizes the Board to issue \$200,000,000 in 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, 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: (1) agricultural water conservation technical assistance programs; (2) research, demonstration, technology transfer, or educational programs relating to agricultural water use and conservation; (3) precipitation enhancement programs; and (4) 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: (1) improve water use efficiency; (2) prepare irrigated land for conversion to dry land conditions; (3) prepare dry land for more efficient use of precipitation; (4) purchase and fund the acquisition and installation of devices on public or private property to indicate the amount of water withdrawn for irrigation; (5) prepare and maintain land to be used for brush control activities; and (6) implement any other agricultural water conservation project defined by Board rule.

TABLE 2: AGRICULTURE FUND GENERAL OBLIGATION BONDS

<u>Constitutional Provision⁽¹⁾</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Previously Issued</u>	<u>Authorized But Unissued</u>
Section 50-d	Agriculture Fund	<u>\$200,000,000</u>	<u>\$35,160,000</u>	<u>\$164,840,000</u>

⁽¹⁾ All section references are to Article III of the Texas Constitution.

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 provide the state matching funds for federal funds provided to the Clean Water State Revolving Fund ("CWSRF"), and the Drinking Water State Revolving Fund ("DWSRF"); (4) to provide funds for the State Water Implementation Revenue Fund of Texas ("SWIRFT"); and (5) to provide matching funds for any additional State revolving funds hereafter established by the Board to provide financial assistance to political subdivisions for public works in accordance with a federal capitalization grant program. 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.

Clean Water State Revolving Fund

The State Revolving Fund Act, Title VI of the Federal Water Pollution Control Act of 1972, as amended by the Water Quality Act of 1987, as amended (the "Federal Act"), established a joint federal and state loan program (the "Federal Loan Program"). Under the Federal Loan Program, the United States Environmental Protection Agency ("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 for publicly owned wastewater treatment works including stormwater 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. The Board does not expect to issue such bonds to provide matching funds in the future.

Funds in a state revolving fund are permitted to be applied to provide financial assistance to Eligible Borrowers for publicly owned wastewater treatment works in a number of ways, including making direct obligations, retiring existing debt through refinancing, and 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 State Water Pollution Control Revolving Fund (commonly referred to as the "Clean Water State Revolving Fund") for the purpose of providing obligations to political subdivisions for wastewater treatment works including storm water and nonpoint source pollution control projects and other authorized purposes. The Board currently provides financial assistance by purchasing political subdivision bonds ("PSBs") from Eligible Borrowers.

Each obligation to an Eligible Borrower made with the proceeds of bonds issued by the Board is in the form of either a loan or the purchase of the obligations issued by the Eligible Borrower. Each Eligible Borrower delivers its own general obligation or revenue bond to the Board, referred to as a "PSB", in order to secure its PSB repayment obligations. The Board makes PSBs under the CWSRF program with terms up to thirty (30) years from project completion, but in no event longer than the expected useful life of the project financed or refinanced by such PSB.

Drinking Water State Revolving Fund

The Safe Drinking Water Act, 42 U.S.C. § 300 et seq., as reauthorized in 1986 and amended in 1996 (the "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 DWSRF 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 such bonds to provide matching funds in the future. 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 obligations, retiring existing debt through refinancing, and providing loan guarantees for expenditures that facilitate compliance with the primary national drinking water regulations. The Board makes PSBs under the DWSRF program with terms up to thirty (30) years from project completion, but in no event longer than the expected useful life of the project financed or refinanced by such PSB. Each obligation to an Eligible Borrower made with the proceeds of bonds issued by the Board is in the form of either a loan or the purchase of the obligations issued by the Eligible Borrower. Each Eligible Borrower delivers its own general obligation or revenue bond to the Board, referred to as a "PSB", in order to secure its PSB repayment obligations. The Board makes PSBs under the DWSRF program with terms up to thirty (30) years from project completion, but in no event longer than the expected useful life of the project financed or refinanced by such PSB.

Pursuant to Subchapter J, Texas created the DWSRF for the purpose of providing loans 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.

State Water Implementation Fund for Texas and State Water Implementation Revenue Fund for Texas

At an election held on November 5, 2013, the voters of Texas approved a constitutional amendment which added two new sections to Article III of the Constitution. Section 49-d-12 provided for the appropriation of \$2 billion from the State's economic stabilization fund to create the State Water Implementation Fund for Texas ("SWIFT") as a special fund in the state treasury outside the general revenue fund and 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.

Section 49-d-12 provides that money in the SWIFT must 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, payable solely from the SWIFT, to provide additional 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 the SWIFT to fully support such agreements. Section 49-d-12 provides that the Legislature may authorize the Board to use the SWIFT to finance, water projects included in the State Water Plan. 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 the SWIRFT. Obligations issued or incurred pursuant to Section 49-d-13 will be special obligations payable solely from amounts in the SWIRFT. Subchapter G of the Texas Water Code provides that the Board has legal title to the money and investments of the SWIFT to be used without further appropriation for the purpose of implementing the State Water Plan. Responsibility for the management and investment of the SWIFT is conferred on the Texas Treasury Safekeeping Trust Company (the "Trust Company"), which holds and invests the SWIFT for and in the name of the Board.

The Board may direct the Trust Company 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) the SWIFT; (2) the SWIRFT; (3) the Rural Water Assistance Fund; (4) the State Participation Account; or (5) the Agriculture Fund. If the Trust Company enters into a Bond Enhancement Agreement, the Board may direct the Trust Company to make disbursements from the SWIFT to another fund or account for the support of bonds the proceeds of which are used to provide financial assistance in the forms described by Subchapter G, including loans bearing an interest rate of not less than 50% of the then-current market rate of interest available to the Board, a deferral of loan repayment, and incremental repurchase terms for an acquired facility. At the direction of the Board, the Trust Company must make disbursements from the SWIFT to another fund or account pursuant to a Bond Enhancement Agreement in the 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.

The Board may use money in the 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 of the Texas Water Code, other bonds issued by the Board if the proceeds of the bonds will be deposited in the SWIRFT, or a Bond Enhancement Agreement, (ii) to acquire loans 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 the 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 the SWIRFT. Revenue bonds issued under Subchapter H are special obligations of the Board payable only from and secured by designated income and receipts of the SWIRFT, and such bonds do not constitute indebtedness of the State.

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 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) water projects in the State Water Plan (as defined below) 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 (i) finance an outreach and technical assistance program to assist Rural Political Subdivisions in obtaining assistance through any source for a purpose described by section 15.994 of the Texas Water Code and (ii) 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 intent of the program is to provide tax-exempt equivalent financing to non-profit water supply corporations which are considered by the Internal Revenue Service to be taxable entities.

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 Water Resources Finance Authority

The Texas Water Resources Finance Authority (the "Authority"), created in 1987 by the Legislature as a governmental entity and a body politic and corporate, is governed by a board of directors composed of the three TWDB members. Because the Authority is a separate legal entity from the Board, it may issue revenue bonds, the proceeds of which may be used for the purpose of purchasing political subdivision bonds from the Board's existing loan portfolio or directly from political subdivisions. The Authority's revenue bonds do not constitute a debt of the State, and neither the full faith or credit nor the taxing authority of the State is in any manner pledged, given or loaned to the payment of the Authority's revenue bonds.

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 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, 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 all eligible applicants and 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 CWSRF, all political subdivisions (no hardship or regional criteria required) became eligible to apply for 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. The State has established the DWSRF to receive proceeds of certain federal grants, provide matching funds and make loans to political subdivisions and water supply corporations that facilitate compliance with the federal government's primary national drinking water regulations. In 2013, the voters of the State also approved a constitutional amendment which created the SWIFT and the SWIRFT, such funds to be administered by the Board for the purpose of implementing the State Water Plan. See "OTHER FINANCIAL ASSISTANCE PROGRAMS OF THE BOARD – State Water Implementation Fund for Texas and State Water Implementation Revenue Fund for Texas."

State Water Plan

Pursuant to Subchapter C of Chapter 16 of the Texas Water Code, the Legislature first 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 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 Board unanimously approved the 2017 State Water Plan and it is available on the website of the Board at: <http://www.twdb.texas.gov/waterplanning/swp/2017/index.asp>.

Board Members

The members of the Board currently are:

Peter M. Lake, Chairman. Appointed to the Board by Governor Greg Abbott effective December 15, 2015 and appointed as Chairman on February 22, 2018. 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 on February 1, 2023.

Brooke T. Paup, Member. Appointed to the Board by Governor Greg Abbott, effective February 22, 2018. 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 the 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, 2019.

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 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. 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 School of Law.

Limitation of Liability of Officials of the Board

No present or future member of the Board or agent or employee of the Board, in his or her individual capacity, and neither the members of the Board nor any official executing the Bonds will be liable personally for payment on the Bonds or be subject to any personal liability or accountability by reason of the issuance of Bonds.

Bond Review Board Approval

With certain exceptions, bonds issued by State agencies and institutions, including bonds issued by the Board, must be approved by the Texas Bond Review Board ("BRB") prior to their issuance. The BRB is composed of the Governor of the State (the "Governor"), the Lieutenant Governor, the Speaker of the House of Representatives, and the Comptroller. The Governor is the Chairman of the BRB. Each member of the BRB may, and frequently does, act through a designee.

On [June 25, 2018], the BRB approved the bonds.

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 Holder of the Bonds pursuant to the Resolution.

GENERAL INFORMATION REGARDING THE STATE

Bond Appendix

The Comptroller prepares a quarterly appendix (the "Bond Appendix") which sets forth certain information regarding the State including its government, finances, economic profile and other matters for use by State entities when issuing debt. The most current Bond Appendix is dated May 2018, and is incorporated herein as described in "**APPENDIX A – THE STATE OF TEXAS.**" See "**CONTINUING DISCLOSURE OF INFORMATION – Continuing Disclosure Undertaking of the Comptroller – General.**" With respect to evaluating the ability of the State to make timely payment of debt service on the Bonds based on the information contained in the Bond Appendix, no representation is made that such information contains all factors material to such an evaluation or that any specific information should be accorded any particular significance.

2017 State CAFR

The Texas 2017 Comprehensive Annual Financial Report for the year ended August 31, 2017 (the "2017 CAFR") is currently on file with the MSRB and may be obtained (i) using the MSRB's EMMA website, www.emma.msrb.org, by using the Quick Search function and entering the term "State of Texas Comptroller" or (ii) from the Comptroller's website at: http://www.texastransparency.org/State_Finance/Budget_Finance/Reports/Comprehensive_Annual_Financial/. The 2017 CAFR is incorporated by reference and made a part of this Official Statement as if set forth herein.

LEGAL MATTERS

Legal Opinion

The Board will furnish to the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the legal opinion of the Attorney General of the State to the effect that the Bonds are valid and legally binding obligations of the Board and, based upon examination of such transcript of proceedings, the legal opinion to like effect of Norton Rose Fulbright US LLP, Bond Counsel. In its capacity as Bond Counsel, Bond Counsel has reviewed the information under the captions "**PLAN OF FINANCE**" (except the subcaption "**Anticipated Issuance of Additional Bonds**," as to which no opinion will be expressed), "**THE BONDS**," "**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**," "**LEGAL MATTERS**" (except the last two sentences of the first paragraph appearing under the subcaption "**Legal Opinion**" and the entirety of the information under the subcaption "**No-Litigation Certificate**" to which no opinion will be expressed), "**TAX MATTERS**," "**CONTINUING DISCLOSURE OF INFORMATION**" (excluding any information describing or otherwise pertaining to the continuing disclosure undertaking of the Comptroller and any statements with respect to Board's compliance with prior undertakings as to which no opinion will be expressed), and **APPENDIX C** to this Official Statement, and such firm is of the opinion that the information relating to the Bonds and the Resolution and such firm's legal conclusions contained under such captions and in **APPENDIX C** is a fair and accurate summary of the information purported to

be shown therein. In connection with the transactions described herein, Bond Counsel represents only the Board. The legal opinion of Bond Counsel in the forms set forth in **APPENDIX C** to this Official Statement will accompany the Bonds deposited with DTC. Certain legal matters will be passed upon for the Underwriters by their counsel, Mahomes Bolden PC, whose legal fee is contingent on the issuance and sale of the Bonds. Certain legal matters will be passed on for the Board by Bracewell LLP, Houston, Texas, Disclosure Counsel.

Norton Rose Fulbright US LLP and Bracewell LLP represent the Underwriters from time to time on matters not related to the Bonds.

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

No-Litigation Certificate

No litigation or other governmental proceedings are pending or, to the knowledge of the Board, threatened which seek to prohibit, restrain or enjoin the issuance, execution and delivery of the Bonds or question the validity or enforceability of the Bonds or any of the proceedings taken in connection with the issuance thereof.

The State is party to various legal proceedings relating to its operations and governmental functions but such proceedings are unrelated to the Bonds or the security for the Bonds. For a discussion of litigation filed against the State please see the Bond Appendix litigation section in **APPENDIX A hereto**.

At the time of payment for and delivery of the Bonds, the Chairman of the Board, or his designee, and the Executive Administrator will execute and deliver a certification to the effect that no litigation of any nature has been filed or is then pending which would restrain the issuance and delivery of the Bonds or affect the provision made for their payment or security or in any manner question the validity of the Bonds.

Eligibility for Investment in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business & 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. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended), the Bonds may have to be assigned a rating of at least "A" or its equivalent as to the investment quality by a national rating agency before the Bonds are eligible investments for sinking funds or other public funds of such political subdivisions.

No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The Board has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Bonds for such purposes. The Board has not made any review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Registration and Qualification of Bonds for Sale

No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The Board assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. It is the obligation of the purchaser to register or qualify sale of the Bonds under the securities laws of any jurisdiction which so requires. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. A form of Bond Counsel's opinion is reproduced as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

For taxable years that began before January 1, 2018, interest on the Bonds owned by a corporation will be included in such corporation's adjusted current earnings for purposes of computing the alternative minimum tax on such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust. The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018.

In rendering the foregoing opinion, Bond Counsel will rely on the and representations and certifications of the Board made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the Board with the provisions of the Resolution subsequent to the issuance of the Bonds. The Resolution contains covenants by the Board with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from date of the issuance of the Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Board described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the Board as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Board may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the

yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum tax on corporations for taxable years that began before January 1, 2018, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds (the "Premium Bonds") may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

CONTINUING DISCLOSURE OF INFORMATION

Each of the Board and the Comptroller has entered into a separate undertaking for the benefit of bondholders to provide certain updated information and notices to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system, as described below.

Continuing Disclosure Undertaking of the Board

General. In the Resolution, the Board has made the following agreement for the benefit of the holders and Beneficial Owners of the related Bonds. The Board is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. 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 TABLES 1 and 2 of this Official Statement and the financial information and operating data in **APPENDIX B**. The Board will update and provide this information within 195 days after the end of each fiscal year ending in or after 2018.

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 SEC Rule 15c2-1 2 (the "Rule"). The updated information will include audited financial statements, if the Board or the State, as appropriate, 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.

Event Notices. The Board will notify the MSRB in a timely manner, not in excess of ten (10) Business Days (as defined in the Resolution) 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 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 opinion, 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 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; and (14) the appointment of a successor or additional Paying Agent/Registrar or the change of name of a Paying Agent/Registrar, 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 Undertaking of the Board – Annual 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 United States 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.

Continuing Disclosure Undertaking of the Comptroller

General. The Comptroller has entered into a Continuing Disclosure Agreement with the Bond Review Board dated as of August 17, 1995 and amended January 25, 2010. The Board and the legal and beneficial owners of the Bonds are third-party beneficiaries of the Comptroller's agreement. The Comptroller is required to observe this agreement in respect of any issue of Securities (as defined in the agreement) for so long as the State remains an "obligated person." Under the agreement, the Comptroller will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB.

In addition to the information that the Comptroller has agreed to provide annually as described below, the Comptroller currently prepares a quarterly disclosure appendix (Bond Appendix attached hereto as **APPENDIX A**) for use in State agency securities offerings. The Comptroller intends to continue to prepare or supplement the Bond Appendix quarterly and to provide annual information in accordance with the disclosure agreement.

Certain tables within the Bond Appendix, as currently prepared by the Comptroller, are updated on a quarterly basis while other tables within such appendix are updated on an annual basis. Under the Continuing Disclosure Agreement, the Comptroller is not obligated to provide such financial and operating data more frequently than on an annual basis.

Annual Reports. The Comptroller will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the State of the general type referred to in the Bond Appendix. The Comptroller will update and provide this information within 195 days after the end of each Fiscal Year.

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 EMMA website or filed with the SEC, as permitted by the Rule. The updated information provided by the Comptroller will be provided on a cash basis and will not be audited, but the Comptroller will provide audited financial statements of the State prepared in accordance with generally accepted accounting principles for governmental entities when the State Auditor completes its statutorily required audit of such financial statements. The accounting principles pursuant to which such financial statements must be prepared may be changed from time to time to comply with State law.

The State's current fiscal year end is August 31. Accordingly, the Comptroller must provide updated information within 195 days thereof in each year unless the State changes its fiscal year. If the State changes its fiscal year, the Comptroller will notify the MSRB of the change prior to the next date by which the Comptroller otherwise would be required to provide financial information and operating data as described above.

Event Notices. The Comptroller will also provide timely notice of its failure to provide information, data, or financial statements in accordance with its agreement described above under "**Continuing Disclosure Undertaking of the Comptroller – Annual Reports.**" Such notice will be provided to the MSRB.

Availability of Information

The Board and the Comptroller have agreed to provide the foregoing financial and operating information only as described above. The Board and the Comptroller 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 and the Comptroller have agreed to update information and to provide notices of disclosure events only as described above. Neither is responsible for performance of the other's agreement, and neither has agreed to provide other information that may be relevant or material to a complete presentation of the Board's or the State's financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. Neither makes any representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. Each 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 Bonds may seek a writ of mandamus to compel the Board to comply with its agreement.

The Board and the Comptroller may amend their respective continuing disclosure agreements 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, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances and (ii) either (a) the holders of a majority in aggregate principal amount of the Outstanding Bonds consent to the amendment or (b) a person unaffiliated with the State, the Comptroller, the BRB and the Board (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of such Bonds. The Board or the Comptroller may also amend or repeal the provisions of its continuing disclosure agreements 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 Bonds in the primary offering of the Bonds. If the Board or the Comptroller 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 ("**Continuing Disclosure Undertaking of the Board - Annual Reports**") and ("**Continuing Disclosure Undertaking of the Comptroller – 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.

Compliance with Prior Undertakings

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 has amended the 2015 Report to include the Series 2015D Bonds and will include the Series 2015D Bonds in future filings.

OTHER INFORMATION

Ratings

Fitch Ratings, Moody's Investors Service, Inc. and S&P Global Ratings, a division of S&P Global Inc., have assigned ratings of "[To Come]", "[To Come]" and "[To Come]" respectively, to the Bonds. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such rating companies and the Board and the Underwriters make no representation as to the appropriateness of the ratings. 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 any or all of such rating companies if, in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the Bonds.

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds at a purchase price of \$_____ (consisting of a principal amount of \$_____, plus an original issue premium of \$_____, and less an underwriting discount of \$_____). The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased.

The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of the 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.

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 State, 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 or the State.

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.

The Board intends to use a portion of the proceeds from the Bonds to redeem the Refunded Bonds. To the extent an Underwriter or an affiliate thereof is an owner of Refunded Bonds, such Underwriter or its affiliate, as applicable, would receive, as an owner of a Refunded Bond, a portion of the proceeds from the issuance of the Bonds contemplated herein in connection with such Refunded Bonds being redeemed by the Board.

Unaudited Financial Information

The Board provides financial information and operating data regarding the Development Fund II in **APPENDIX B** to this Official Statement. The information presented in **APPENDIX B** is unaudited, and is prepared in accordance with State requirements for State agencies.

Forward-Looking Statements

The statements contained in this Official Statement, and in any other information provided to the reader by the Board or incorporated by reference into this Official Statement 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 and the Comptroller'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 and the Comptroller on the date of this Official Statement, the date of the Bond Appendix or the date of the 2017 CAFR, respectively, and the Board and the Comptroller assumes no obligation to update any such forward-looking statements. It is important to note that the Board's and the Comptroller's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements included 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 to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Board and the Comptroller. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Certification of Official Statement

The financial and other information contained herein have been obtained from the Board's records and other sources which are deemed 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 the Resolution contained in this Official Statement are made subject to all of the provisions of such statutes and documents and the Resolution. 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.

At the time of payment for and delivery of the Bonds, the Board will be furnished a letter from the State, signed on behalf of the State by the Comptroller, upon which the Underwriters will be authorized to rely, to the effect that (a) to the best of the Comptroller's knowledge and belief, **APPENDIX A** hereto is true and correct as of its date and does not contain an untrue statement of a material fact or omit to state a material fact that would make the statements made therein, in light of the circumstances under which they are made, misleading; (b) the information therein has been obtained from sources which he believes to be reliable; and (c) the Comptroller has entered into a continuing disclosure agreement with the Texas Bond Review Board, for the benefit of the Board and the legal and beneficial owners of the Bonds, to provide, with respect to the State, updated financial information and operating data of the type referred to in **APPENDIX A** hereto and timely notice of certain specified events.

Financial Advisor

Hilltop Securities Inc. is employed as Financial Advisor to the Board in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Hilltop Securities Inc., 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 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.

Approval of Official Statement

The Resolution approves the form and content of this Official Statement, and authorizes its further use in the reoffering of the Bonds by the Underwriters. Questions regarding this Official Statement may be directed to Georgia Sanchez Debt Portfolio Manager and Development Fund Manager, Texas Water Development Board, 1700 North Congress Avenue, 6th Floor, Austin, Texas 78701; Telephone: (512) 475-4584; Electronic Mail: georgia.sanchez@twdb.texas.gov.

SCHEDULE I - SCHEDULE OF REFUNDED BONDS*

All of the Refunded Bonds shown will be redeemed on August 1, 2018 at the price of par plus accrued interest to the redemption date.

State of Texas
General Obligation Bonds
Water Financial Assistance Bonds, Series 2008A
(Water Infrastructure Fund)

Maturity Date	Interest	Principal
(August 1)	Rate %	Refunded (\$)
2019	4.000	\$ 2,075,000
2020	5.000	4,165,000
2021	5.000	6,840,000
2022	4.300	75,000
2022	5.000	7,105,000
2023	5.000	7,540,000
2024	5.000	7,905,000
2025	5.000	8,300,000
2026	5.000	8,710,000
2027	5.000	8,085,000
2028	4.600	2,000,000
		<u>\$ 62,800,000</u>

State of Texas
General Obligation Bonds
Water Financial Assistance Bonds, Sub-series 2009-A
(Water Infrastructure Fund)

Maturity Date	Interest	Principal
(August 1)	Rate %	Refunded (\$)
2019	5.000	\$ 10,565,000
2020	5.000	7,775,000
2021	5.000	6,840,000
2022	4.000	2,440,000
2022	5.000	4,755,000
2023	5.000	7,480,000
2024	5.000	7,870,000
2025	5.000	8,265,000
2026	5.000	8,685,000
2027	4.750	2,850,000
2027	5.000	6,295,000
2028	5.000	8,480,000
2029	5.000	16,150,000
		<u>\$ 98,450,000</u>

* Preliminary, subject to change

**State of Texas
 General Obligation Bonds
 Water Financial Assistance Bonds,
 Sub-series 2009-B
 (Water Infrastructure Fund)**

Maturity Date (August 1)	Interest Rate %	Principal Amount Refunded (\$)
2019	5.000	\$ 2,860,000
2019	4.250	4,540,000
2020	4.500	7,735,000
2021	5.000	8,085,000
2022	5.000	8,485,000
2023	5.000	8,910,000
2024	4.000	1,910,000
2024	5.000	7,445,000
2025	5.000	9,805,000
2026	4.250	6,715,000
2026	5.000	3,580,000
2027	5.000	10,760,000
2028	4.500	5,455,000
2028	5.000	5,845,000
2029	5.000	11,835,000
		<u>\$ 103,965,000</u>

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APPENDIX A

THE STATE OF TEXAS

The Bond Appendix dated May 2018, (the "Bond Appendix") is currently on file with the MSRB and is hereby incorporated by reference and made a part of this Official Statement. The Bond Appendix may be obtained (i) using the MSRB's EMMA website, www.emma.msrb.org, by using the Quick Search function and entering the term "State of Texas Comptroller" and (ii) from the Comptroller's website at: <http://www.comptroller.texas.gov/treasops/bond-appendix.php> until the Comptroller files a later version of such Bond Appendix.

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APPENDIX B
SELECTED FINANCIAL DATA (UNAUDITED)

Texas Water Development Board
Statement of Net Position - Water Development Fund II (DFund II)

August 31,

	2013	2014	2015	2016	2017
ASSETS					
Current Assets:					
Cash and Cash Equivalents:					
Cash in State Treasury	132,787,989	86,441,332	56,045,096.96	92,426,423.82	81,390,753
Receivables from:					
Interest and Dividends	12,488,627	12,485,259	40,719,692.72	50,027,981.61	50,112,663
Accounts Receivable					
Interfund Receivables	14,569,103	15,621,931	31,890,448.40	25,317,840.08	25,022,215
Due From Other Funds	56,734,372	53,632,348	80,414,334.28	67,780,915.10	67,308,673
Loans and Contracts	24,578,508	28,546,690	24,801,731.48	26,530,284.49	25,032,785
Total Current Assets	241,158,599	196,727,558	233,871,304	262,083,445	248,867,089
Non-Current Assets:					
Loans and Contracts	938,037,616	918,572,727	867,220,593.80	1,090,183,619.48	1,100,395,834
Interfund Receivables	323,020,525	319,964,622	345,392,103.83	340,756,562.18	311,599,347
Total Non-Current Assets	1,261,058,141	1,238,537,348	1,212,612,698	1,430,940,182	1,411,995,182
Total Assets	1,502,216,740	1,435,264,907	1,446,484,001	1,693,023,627	1,660,862,271
LIABILITIES					
Current Liabilities:					
Payables from:					
Accounts Payable	93,783	24,596		36,065.36	0
Interest Payable	4,754,655	4,872,862	4,032,514.83	6,962,659.27	6,838,535
Due to Other Funds	54,066,387	50,955,652	80,414,334.28	67,780,915.10	67,308,673
G. O. Bonds Payable	49,321,361	46,086,849	54,529,132.96	60,818,599.25	60,504,777
Total Current Liabilities	108,236,186	101,939,960	138,975,982	135,598,239	134,651,985
Non-Current Liabilities:					
G. O. Bonds Payable (net)	1,203,399,230	1,135,606,767	1,092,289,072.85	1,329,585,027.74	1,283,578,237
Total Non-Current Liabilities	1,203,399,230	1,135,606,767	1,092,289,073	1,329,585,028	1,283,578,237
Total Liabilities	1,311,635,416	1,237,546,726	1,231,265,055	1,465,183,267	1,418,230,222
NET POSITION					
Unrestricted	190,581,324	197,718,180	215,218,947	227,840,360	242,632,049
Total Net Position (2)	190,581,324	197,718,180	215,218,947	227,840,360	242,632,049

(1) The financial data presented here is a recapitulation of the Board's financial statements presented in their Annual Financial Reports. The Board's financial statements become a part of the Comprehensive Annual Financial Report for the State of Texas, which is audited by the State Auditor's Office; however, the scope of the reviews at the agency level do not constitute an audit of the individual agency's financial statements. Consequently, these statements are considered unaudited at the agency level.

(2) The term Net Assets was changed to Net Position to comply with FY13 Annual Financial Reporting requirements and Government Accounting Standards Board Statement No. 54.

Texas Water Development Board

Statement of Revenues, Expenses, and Changes in Fund Net Position - Water Development Fund II (DFund II)

For the Fiscal Year Ended August 31,

	2013	2014	2015	2016	2017
OPERATING REVENUES:					
Licenses Fees & Permits			417,352	-	-
Interest and Investment Income	61,276,948	61,465,749	80,368,323	77,651,475	67,348,014
Total Operating Revenues	61,276,948	61,465,749	80,785,674	77,651,475	67,348,014
OPERATING EXPENSES:					
Professional Fees and Services	940,459	226,013	552,663	1,680,613	474,971
Travel	4,791			6,888	1,255
Printing and Reproduction	1,231		1,816	1,214	2,951
Interest	55,613,279	53,352,986	48,003,879	58,901,716	52,120,852
Other Operating Expenses	915,238	749,894	(300,321)	476,889	19,000
Total Operating Expenses	57,474,998	54,328,893	48,258,037	61,067,320	52,619,029
Operating Income (Loss)	3,801,950	7,136,856	32,527,637	16,584,155	14,728,985
Income/(Loss) before Other Revenues, Expenses, Gains/Losses and Transfers	3,801,950	7,136,856	32,527,637	16,584,155	14,728,985
OTHER REVENUES, EXPENSES, GAINS/LOSSES AND TRANSFERS:					
Transfers-In	379,202,818	53,342,515	146,116,608	40,266,006	61,650,456
Transfers-Out	(379,202,818)	(53,342,515)	(146,114,608)	(44,228,747)	(61,587,753)
Total Other Revenue, Expenses, Gain/Losses and Transfers	-	-	2,000	(3,962,741)	62,704
Change in Net Position	3,801,950	7,136,856	32,529,637	12,621,413	14,791,689
Total Net Position, September 1, Restatements	186,779,374	190,581,324	182,689,309	215,218,947	227,840,360
Total Net Assets, September 1, as Restated	186,779,374	190,581,324	182,689,309	215,218,947	227,840,360
Total Net Position, August 31, Ending (2)	190,581,324	197,718,180	215,218,947	227,840,360	242,632,049

(1) The financial data presented here is a recapitulation of the Board's financial statements presented in their Annual Financial Reports. The Board's financial statements become a part of the Comprehensive Annual Financial Report for the State of Texas, which is audited by the State Auditor's Office; however, the scope of the reviews at the agency level do not constitute an audit of the individual agency's financial statements. Consequently, these statements are considered unaudited at the agency level. Any adjustments related to the agency's financial data as a result of the CAFR Audit are not reflected in the amounts reported here.

(2) The term Net Assets was changed to Net Position to comply with FY13 Annual Financial Reporting requirements and Government Accounting Standards Board Statement No. 54.

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APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

An opinion in substantially the following form will be delivered by Norton Rose Fulbright US LLP, Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

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APPENDIX D

SCHEDULE OF DEBT SERVICE REQUIREMENTS

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SCHEDULE OF DEBT SERVICE REQUIREMENTS*

\$
 State of Texas
 General Obligation Bonds
 Water Financial Assistance Refunding Bonds,
 Series 2018B
 (Water Infrastructure Fund)

<u>Fiscal Year</u>	<u>Total Existing</u> <u>Debt Service</u>	Less: <u>Refunded</u> <u>Debt Service</u>	<u>Series 2018B</u>			<u>Total</u> <u>Debt Service</u>
			<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>	

	\$	-	\$	-	\$	-	\$	-	\$	-
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* Preliminary, subject to change.

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APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

This appendix describes how ownership of the Bonds is to be transferred and how the principal of premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as the Official Statement. The Board, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but none of the Board, the Financial Advisor nor the Underwriters take any responsibility for the accuracy or completeness thereof.

The Board and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or (3) DTC will serve and act in the manner described in 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 Issuer may require consent of the Participants under DTC Operational Arrangements.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond will be issued for each maturity of the Bonds, as set forth on the inside of the cover pages 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 S&P Global Ratings rating of "AA+." The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each 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 Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The 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 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the 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 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, 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 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 Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Resolution will be given only to DTC.

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SAVINGS

**Texas Water Development Board (Water Infrastructure Fund)
Water Financial Assistance Bonds, Series 2018
20% Callable 08/01/2021
20% Callable 08/01/2024**

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Savings
08/01/2018	6,515,243.75	6,515,243.75			
08/01/2019	33,070,487.50		33,070,487.50	33,067,126.98	3,360.52
08/01/2020	31,758,287.50		31,758,287.50	31,758,071.50	216.00
08/01/2021	32,903,212.50		32,903,212.50	32,900,921.50	2,291.00
08/01/2022	32,909,962.50		32,909,962.50	32,907,071.50	2,891.00
08/01/2023	32,861,887.50		32,861,887.50	32,860,364.00	1,523.50
08/01/2024	32,865,387.50		32,865,387.50	32,861,474.00	3,913.50
08/01/2025	32,867,987.50		32,867,987.50	32,865,381.00	2,606.50
08/01/2026	32,869,487.50		32,869,487.50	32,866,822.00	2,665.50
08/01/2027	31,835,350.00		31,835,350.00	31,832,277.00	3,073.00
08/01/2028	24,232,975.00		24,232,975.00	13,200,325.00	11,032,650.00
08/01/2029	29,384,250.00		29,384,250.00		29,384,250.00
	354,074,518.75	6,515,243.75	347,559,275.00	307,119,834.48	40,439,440.52

Savings Summary

Savings PV date	07/31/2018
Savings PV rate	2.914379%
PV of savings from cash flow	29,908,176.34
Plus: Refunding funds on hand	2,038.85
Net PV Savings	29,910,215.19

SUMMARY OF REFUNDING RESULTS

**Texas Water Development Board (Water Infrastructure Fund)
Water Financial Assistance Bonds, Series 2018
20% Callable 08/01/2021
20% Callable 08/01/2024**

Dated Date	07/31/2018
Delivery Date	07/31/2018
Arbitrage yield	2.781730%
Escrow yield	0.000000%
Value of Negative Arbitrage	
Bond Par Amount	265,215,000.00
True Interest Cost	2.873192%
Net Interest Cost	2.883634%
All-In TIC	2.914379%
Average Coupon	2.921069%
Average Life	5.409
Weighted Average Maturity	5.390
Par amount of refunded bonds	265,215,000.00
Average coupon of refunded bonds	4.928001%
Average life of refunded bonds	6.300
Remaining weighted average maturity of refunded bonds	6.300
PV of prior debt to 07/31/2018 @ 2.914379%	301,640,458.94
Net PV Savings	29,910,215.19
Percentage savings of refunded bonds	11.277724%

SOURCES AND USES OF FUNDS

**Texas Water Development Board (Water Infrastructure Fund)
Water Financial Assistance Bonds, Series 2018
20% Callable 08/01/2021
20% Callable 08/01/2024**

Dated Date 07/31/2018
Delivery Date 07/31/2018

Sources:

Bond Proceeds:

Par Amount	265,215,000.00
Premium	<u>1,730,506.35</u>
	266,945,506.35

Other Sources of Funds:

Debt Service Fund Transfer	6,515,243.75
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273,460,750.10

Uses:

Refunding Escrow Deposits:

Cash Deposit	271,730,243.75
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Delivery Date Expenses:

Cost of Issuance	535,000.00
Underwriter's Discount	<u>1,193,467.50</u>
	1,728,467.50

Other Uses of Funds:

Additional Proceeds	2,038.85
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273,460,750.10

BOND DEBT SERVICE

**Texas Water Development Board (Water Infrastructure Fund)
Water Financial Assistance Bonds, Series 2018
20% Callable 08/01/2021
20% Callable 08/01/2024**

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/01/2019			3,829,141.23	3,829,141.23	
08/01/2019	25,430,000	3.000%	3,807,985.75	29,237,985.75	33,067,126.98
02/01/2020			3,426,535.75	3,426,535.75	
08/01/2020	24,905,000	3.000%	3,426,535.75	28,331,535.75	31,758,071.50
02/01/2021			3,052,960.75	3,052,960.75	
08/01/2021	26,795,000	3.000%	3,052,960.75	29,847,960.75	32,900,921.50
02/01/2022			2,651,035.75	2,651,035.75	
08/01/2022	27,605,000	** %	2,651,035.75	30,256,035.75	32,907,071.50
02/01/2023			2,332,682.00	2,332,682.00	
08/01/2023	28,195,000	** %	2,332,682.00	30,527,682.00	32,860,364.00
02/01/2024			1,985,737.00	1,985,737.00	
08/01/2024	28,890,000	** %	1,985,737.00	30,875,737.00	32,861,474.00
02/01/2025			1,600,190.50	1,600,190.50	
08/01/2025	29,665,000	** %	1,600,190.50	31,265,190.50	32,865,381.00
02/01/2026			1,170,911.00	1,170,911.00	
08/01/2026	30,525,000	** %	1,170,911.00	31,695,911.00	32,866,822.00
02/01/2027			701,138.50	701,138.50	
08/01/2027	30,430,000	** %	701,138.50	31,131,138.50	31,832,277.00
02/01/2028			212,662.50	212,662.50	
08/01/2028	12,775,000	** %	212,662.50	12,987,662.50	13,200,325.00
	265,215,000		41,904,834.48	307,119,834.48	307,119,834.48

BOND SUMMARY STATISTICS

Texas Water Development Board (Water Infrastructure Fund)
Water Financial Assistance Bonds, Series 2018
20% Callable 08/01/2021
20% Callable 08/01/2024

Dated Date	07/31/2018
Delivery Date	07/31/2018
First Coupon	02/01/2019
Last Maturity	08/01/2028
Arbitrage Yield	2.781730%
True Interest Cost (TIC)	2.873192%
Net Interest Cost (NIC)	2.883634%
All-In TIC	2.914379%
Average Coupon	2.921069%
Average Life (years)	5.409
Weighted Average Maturity (years)	5.390
Duration of Issue (years)	4.965
Par Amount	265,215,000.00
Bond Proceeds	266,945,506.35
Total Interest	41,904,834.48
Net Interest	41,367,795.63
Bond Years from Dated Date	1,434,571,708.33
Bond Years from Delivery Date	1,434,571,708.33
Total Debt Service	307,119,834.48
Maximum Annual Debt Service	33,067,126.98
Average Annual Debt Service	30,703,454.71
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	4.500000
Total Underwriter's Discount	4.500000
Bid Price	100.202492

Bond Component	Par Value	Price	Average Coupon	Average Life	Average Maturity Date	Duration	PV of 1 bp change
Non Callable Serial Bonds	169,215,000.00	101.023	2.532%	4.221	10/19/2022	3.974	66,711.25
Serial Bonds With 3 Year Call	48,000,000.00	100.000	3.573%	6.503	01/30/2025	5.838	27,600.00
Serial Bonds With 6 Year Call	48,000,000.00	100.000	3.104%	8.503	01/30/2027	7.533	35,760.00
	265,215,000.00			5.409			130,071.25

	TIC	All-In TIC	Arbitrage Yield
Par Value	265,215,000.00	265,215,000.00	265,215,000.00
+ Accrued Interest			
+ Premium (Discount)	1,730,506.35	1,730,506.35	1,730,506.35
- Underwriter's Discount	-1,193,467.50	-1,193,467.50	
- Cost of Issuance Expense		-535,000.00	
- Other Amounts			
Target Value	265,752,038.85	265,217,038.85	266,945,506.35
Target Date	07/31/2018	07/31/2018	07/31/2018
Yield	2.873192%	2.914379%	2.781730%

BOND PRICING

**Texas Water Development Board (Water Infrastructure Fund)
Water Financial Assistance Bonds, Series 2018
20% Callable 08/01/2021
20% Callable 08/01/2024**

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Premium (-Discount)
Non Callable Serial Bonds:						
	08/01/2019	25,430,000	3.000%	1.750%	101.233	313,551.90
	08/01/2020	24,905,000	3.000%	1.890%	102.168	539,940.40
	08/01/2021	26,795,000	3.000%	2.000%	102.897	776,251.15
	08/01/2022	19,605,000	2.150%	2.090%	100.229	44,895.45
	08/01/2023	20,195,000	2.200%	2.190%	100.047	9,491.65
	08/01/2024	20,890,000	2.370%	2.330%	100.222	46,375.80
	08/01/2025	9,665,000	2.460%	2.460%	100.000	
	08/01/2026	10,525,000	2.580%	2.580%	100.000	
	08/01/2027	10,430,000	2.640%	2.640%	100.000	
	08/01/2028	775,000	2.700%	2.700%	100.000	
		<u>169,215,000</u>				<u>1,730,506.35</u>
Serial Bonds With 3 Year Call:						
	08/01/2022	8,000,000	2.690%	2.690%	100.000	
	08/01/2023	8,000,000	3.120%	3.120%	100.000	
	08/01/2024	8,000,000	3.450%	3.450%	100.000	
	08/01/2025	8,000,000	3.680%	3.680%	100.000	
	08/01/2026	8,000,000	3.850%	3.850%	100.000	
	08/01/2027	8,000,000	3.970%	3.970%	100.000	
		<u>48,000,000</u>				
Serial Bonds With 6 Year Call:						
	08/01/2025	12,000,000	2.720%	2.720%	100.000	
	08/01/2026	12,000,000	3.000%	3.000%	100.000	
	08/01/2027	12,000,000	3.200%	3.200%	100.000	
	08/01/2028	12,000,000	3.370%	3.370%	100.000	
		<u>48,000,000</u>				
		<u>265,215,000</u>				<u>1,730,506.35</u>

Dated Date 07/31/2018
Delivery Date 07/31/2018
First Coupon 02/01/2019

Par Amount 265,215,000.00
Premium 1,730,506.35

Production 266,945,506.35 100.652492%
Underwriter's Discount -1,193,467.50 -0.450000%

Purchase Price 265,752,038.85 100.202492%
Accrued Interest

Net Proceeds 265,752,038.85

SUMMARY OF BONDS REFUNDED

Texas Water Development Board (Water Infrastructure Fund)
Water Financial Assistance Bonds, Series 2018
20% Callable 08/01/2021
20% Callable 08/01/2024

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price	
Water Financial Assistance Bonds, Series 2008A, 2008A:						
SERIAL	08/01/2019	4.000%	2,075,000.00	08/01/2018	100.000	
	08/01/2020	5.000%	4,165,000.00	08/01/2018	100.000	
	08/01/2021	5.000%	6,840,000.00	08/01/2018	100.000	
	08/01/2022	4.300%	75,000.00	08/01/2018	100.000	
	08/01/2023	5.000%	7,540,000.00	08/01/2018	100.000	
	08/01/2024	5.000%	7,905,000.00	08/01/2018	100.000	
	08/01/2025	5.000%	8,300,000.00	08/01/2018	100.000	
	08/01/2026	5.000%	8,710,000.00	08/01/2018	100.000	
	08/01/2027	5.000%	8,085,000.00	08/01/2018	100.000	
	SERIAL01	08/01/2022	5.000%	7,105,000.00	08/01/2018	100.000
08/01/2028		4.600%	2,000,000.00	08/01/2018	100.000	
			62,800,000.00			
Water Financial Assistance Bonds, Series 2009A, 2009A:						
SERIAL	08/01/2019	5.000%	10,565,000.00	08/01/2018	100.000	
	08/01/2020	5.000%	7,775,000.00	08/01/2018	100.000	
	08/01/2021	5.000%	6,840,000.00	08/01/2018	100.000	
	08/01/2022	4.000%	2,440,000.00	08/01/2018	100.000	
	08/01/2023	5.000%	7,480,000.00	08/01/2018	100.000	
	08/01/2024	5.000%	7,870,000.00	08/01/2018	100.000	
	08/01/2025	5.000%	8,265,000.00	08/01/2018	100.000	
	08/01/2026	5.000%	8,685,000.00	08/01/2018	100.000	
	08/01/2027	4.750%	2,850,000.00	08/01/2018	100.000	
	08/01/2028	5.000%	8,480,000.00	08/01/2018	100.000	
	08/01/2029	5.000%	16,150,000.00	08/01/2018	100.000	
	SERIAL01	08/01/2022	5.000%	4,755,000.00	08/01/2018	100.000
		08/01/2027	5.000%	6,295,000.00	08/01/2018	100.000
			98,450,000.00			
Water Financial Assistance Bonds, Series 2009B, 2009B:						
SERIAL	08/01/2019	5.000%	2,860,000.00	08/01/2018	100.000	
	08/01/2020	4.500%	7,735,000.00	08/01/2018	100.000	
	08/01/2021	5.000%	8,085,000.00	08/01/2018	100.000	
	08/01/2022	5.000%	8,485,000.00	08/01/2018	100.000	
	08/01/2023	5.000%	8,910,000.00	08/01/2018	100.000	
	08/01/2024	4.000%	1,910,000.00	08/01/2018	100.000	
	08/01/2025	5.000%	9,805,000.00	08/01/2018	100.000	
	08/01/2026	4.250%	6,715,000.00	08/01/2018	100.000	
	08/01/2027	5.000%	10,760,000.00	08/01/2018	100.000	
	08/01/2028	4.500%	5,455,000.00	08/01/2018	100.000	
	08/01/2029	5.000%	11,835,000.00	08/01/2018	100.000	
	SERIAL01	08/01/2019	4.250%	4,540,000.00	08/01/2018	100.000
		08/01/2024	5.000%	7,445,000.00	08/01/2018	100.000
		08/01/2026	5.000%	3,580,000.00	08/01/2018	100.000
		08/01/2028	5.000%	5,845,000.00	08/01/2018	100.000
			103,965,000.00			
			265,215,000.00			

ESCROW STATISTICS

**Texas Water Development Board (Water Infrastructure Fund)
Water Financial Assistance Bonds, Series 2018
20% Callable 08/01/2021
20% Callable 08/01/2024**

Total Escrow Cost	Modified Duration (years)	Yield to Receipt Date	Yield to Disbursement Date	Perfect Escrow Cost	Value of Negative Arbitrage	Cost of Dead Time
Global Proceeds Escrow: 271,730,243.75				271,709,392.55		20,851.20
271,730,243.75				271,709,392.55	0.00	20,851.20

**Delivery date 07/31/2018
Arbitrage yield 2.781730%**

PRIOR BOND DEBT SERVICE

Texas Water Development Board (Water Infrastructure Fund)
Water Financial Assistance Bonds, Series 2018
20% Callable 08/01/2021
20% Callable 08/01/2024

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
08/01/2018			6,515,243.75	6,515,243.75	6,515,243.75
02/01/2019			6,515,243.75	6,515,243.75	
08/01/2019	20,040,000	** %	6,515,243.75	26,555,243.75	33,070,487.50
02/01/2020			6,041,643.75	6,041,643.75	
08/01/2020	19,675,000	** %	6,041,643.75	25,716,643.75	31,758,287.50
02/01/2021			5,569,106.25	5,569,106.25	
08/01/2021	21,765,000	5.000%	5,569,106.25	27,334,106.25	32,903,212.50
02/01/2022			5,024,981.25	5,024,981.25	
08/01/2022	22,860,000	** %	5,024,981.25	27,884,981.25	32,909,962.50
02/01/2023			4,465,943.75	4,465,943.75	
08/01/2023	23,930,000	5.000%	4,465,943.75	28,395,943.75	32,861,887.50
02/01/2024			3,867,693.75	3,867,693.75	
08/01/2024	25,130,000	** %	3,867,693.75	28,997,693.75	32,865,387.50
02/01/2025			3,248,993.75	3,248,993.75	
08/01/2025	26,370,000	5.000%	3,248,993.75	29,618,993.75	32,867,987.50
02/01/2026			2,589,743.75	2,589,743.75	
08/01/2026	27,690,000	** %	2,589,743.75	30,279,743.75	32,869,487.50
02/01/2027			1,922,675.00	1,922,675.00	
08/01/2027	27,990,000	** %	1,922,675.00	29,912,675.00	31,835,350.00
02/01/2028			1,226,487.50	1,226,487.50	
08/01/2028	21,780,000	** %	1,226,487.50	23,006,487.50	24,232,975.00
02/01/2029			699,625.00	699,625.00	
08/01/2029	27,985,000	5.000%	699,625.00	28,684,625.00	29,384,250.00
	265,215,000		88,859,518.75	354,074,518.75	354,074,518.75

PRIOR BOND DEBT SERVICE

**Texas Water Development Board (Water Infrastructure Fund)
Water Financial Assistance Bonds, Series 2018
20% Callable 08/01/2021
20% Callable 08/01/2024**

Water Financial Assistance Bonds, Series 2008A (2008A)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
08/01/2018			1,555,362.50	1,555,362.50	1,555,362.50
02/01/2019			1,555,362.50	1,555,362.50	
08/01/2019	2,075,000	4.000%	1,555,362.50	3,630,362.50	5,185,725.00
02/01/2020			1,513,862.50	1,513,862.50	
08/01/2020	4,165,000	5.000%	1,513,862.50	5,678,862.50	7,192,725.00
02/01/2021			1,409,737.50	1,409,737.50	
08/01/2021	6,840,000	5.000%	1,409,737.50	8,249,737.50	9,659,475.00
02/01/2022			1,238,737.50	1,238,737.50	
08/01/2022	7,180,000	** %	1,238,737.50	8,418,737.50	9,657,475.00
02/01/2023			1,059,500.00	1,059,500.00	
08/01/2023	7,540,000	5.000%	1,059,500.00	8,599,500.00	9,659,000.00
02/01/2024			871,000.00	871,000.00	
08/01/2024	7,905,000	5.000%	871,000.00	8,776,000.00	9,647,000.00
02/01/2025			673,375.00	673,375.00	
08/01/2025	8,300,000	5.000%	673,375.00	8,973,375.00	9,646,750.00
02/01/2026			465,875.00	465,875.00	
08/01/2026	8,710,000	5.000%	465,875.00	9,175,875.00	9,641,750.00
02/01/2027			248,125.00	248,125.00	
08/01/2027	8,085,000	5.000%	248,125.00	8,333,125.00	8,581,250.00
02/01/2028			46,000.00	46,000.00	
08/01/2028	2,000,000	4.600%	46,000.00	2,046,000.00	2,092,000.00
	62,800,000		19,718,512.50	82,518,512.50	82,518,512.50

PRIOR BOND DEBT SERVICE

**Texas Water Development Board (Water Infrastructure Fund)
Water Financial Assistance Bonds, Series 2018
20% Callable 08/01/2021
20% Callable 08/01/2024**

Water Financial Assistance Bonds, Series 2009A (2009A)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
08/01/2018			2,445,487.50	2,445,487.50	2,445,487.50
02/01/2019			2,445,487.50	2,445,487.50	2,445,487.50
08/01/2019	10,565,000	5.000%	2,445,487.50	13,010,487.50	15,455,975.00
02/01/2020			2,181,362.50	2,181,362.50	2,181,362.50
08/01/2020	7,775,000	5.000%	2,181,362.50	9,956,362.50	12,137,725.00
02/01/2021			1,986,987.50	1,986,987.50	1,986,987.50
08/01/2021	6,840,000	5.000%	1,986,987.50	8,826,987.50	10,813,975.00
02/01/2022			1,815,987.50	1,815,987.50	1,815,987.50
08/01/2022	7,195,000	** %	1,815,987.50	9,010,987.50	10,826,975.00
02/01/2023			1,648,312.50	1,648,312.50	1,648,312.50
08/01/2023	7,480,000	5.000%	1,648,312.50	9,128,312.50	10,776,625.00
02/01/2024			1,461,312.50	1,461,312.50	1,461,312.50
08/01/2024	7,870,000	5.000%	1,461,312.50	9,331,312.50	10,792,625.00
02/01/2025			1,264,562.50	1,264,562.50	1,264,562.50
08/01/2025	8,265,000	5.000%	1,264,562.50	9,529,562.50	10,794,125.00
02/01/2026			1,057,937.50	1,057,937.50	1,057,937.50
08/01/2026	8,685,000	5.000%	1,057,937.50	9,742,937.50	10,800,875.00
02/01/2027			840,812.50	840,812.50	840,812.50
08/01/2027	9,145,000	** %	840,812.50	9,985,812.50	10,826,625.00
02/01/2028			615,750.00	615,750.00	615,750.00
08/01/2028	8,480,000	5.000%	615,750.00	9,095,750.00	9,711,500.00
02/01/2029			403,750.00	403,750.00	403,750.00
08/01/2029	16,150,000	5.000%	403,750.00	16,553,750.00	16,957,500.00
	98,450,000		33,890,012.50	132,340,012.50	132,340,012.50

PRIOR BOND DEBT SERVICE

Texas Water Development Board (Water Infrastructure Fund)
Water Financial Assistance Bonds, Series 2018
20% Callable 08/01/2021
20% Callable 08/01/2024

Water Financial Assistance Bonds, Series 2009B (2009B)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
08/01/2018			2,514,393.75	2,514,393.75	2,514,393.75
02/01/2019			2,514,393.75	2,514,393.75	
08/01/2019	7,400,000	** %	2,514,393.75	9,914,393.75	12,428,787.50
02/01/2020			2,346,418.75	2,346,418.75	
08/01/2020	7,735,000	4.500%	2,346,418.75	10,081,418.75	12,427,837.50
02/01/2021			2,172,381.25	2,172,381.25	
08/01/2021	8,085,000	5.000%	2,172,381.25	10,257,381.25	12,429,762.50
02/01/2022			1,970,256.25	1,970,256.25	
08/01/2022	8,485,000	5.000%	1,970,256.25	10,455,256.25	12,425,512.50
02/01/2023			1,758,131.25	1,758,131.25	
08/01/2023	8,910,000	5.000%	1,758,131.25	10,668,131.25	12,426,262.50
02/01/2024			1,535,381.25	1,535,381.25	
08/01/2024	9,355,000	** %	1,535,381.25	10,890,381.25	12,425,762.50
02/01/2025			1,311,056.25	1,311,056.25	
08/01/2025	9,805,000	5.000%	1,311,056.25	11,116,056.25	12,427,112.50
02/01/2026			1,065,931.25	1,065,931.25	
08/01/2026	10,295,000	** %	1,065,931.25	11,360,931.25	12,426,862.50
02/01/2027			833,737.50	833,737.50	
08/01/2027	10,760,000	5.000%	833,737.50	11,593,737.50	12,427,475.00
02/01/2028			564,737.50	564,737.50	
08/01/2028	11,300,000	** %	564,737.50	11,864,737.50	12,429,475.00
02/01/2029			295,875.00	295,875.00	
08/01/2029	11,835,000	5.000%	295,875.00	12,130,875.00	12,426,750.00
	103,965,000		35,250,993.75	139,215,993.75	139,215,993.75