

Texas Water Development Board



P.O. Box 13231, 1700 N. Congress Ave.
Austin, TX 78711-3231, www.twdb.texas.gov
Phone (512) 463-7847, Fax (512) 475-2053

TO: Board Members

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

FROM: Georgia Sanchez, Development Fund Manager

DATE: April 9, 2019

SUBJECT: Approval of State of Texas General Obligation Water Financial Assistance Refunding Bonds, Series 2019C, Series 2019D (State Participation Program), Series 2019E (Water Infrastructure Fund), and Series 2019F (Economically Distressed Areas Program)

ACTION REQUESTED

Consider approving by resolution: (a) the issuance, sale and delivery of State of Texas, General Obligation Water Financial Assistance Refunding Bonds, Series 2019C, Series 2019D (State Participation Program), Series 2019E (Water Infrastructure Fund), and Series 2019F (Economically Distressed Areas Program); (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 March 28, 2019, the Board initiated the process for the issuance of General Obligation bonds to refinance currently callable Water Financial Assistance 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 Wells Fargo Securities and co-managers J.P. Morgan, Ramirez & Co.; Hutchinson, Shockey, Erley & Co.; and Mesirow Financial was also selected.

Staff, in coordination with the consultants, has drafted and attached the required documents, including the Bond Resolutions 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

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 M. Lake, Chairman | Kathleen Jackson, Board Member | Brooke T. Paup, Board Member
: Jeff Walker, Executive Administrator

Preliminary Official Statement. Staff anticipates minor edits to update the bond documents prior to publication.

BOND SIZING

Preliminary debt service schedules for the bonds are included as Attachment 6. While the par and premium amounts will be adjusted at the time of pricing due to market considerations, total par will not exceed \$250,000,000.

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 \$552,000 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:

- **March 28, 2019** Board initiated the bond issuance process and selected consultants/underwriters
- **April 23, 2019** Board considers approval of the issuance/documents
- **May 14, 2019** Bond pricing initiation
- **May 15, 2019** Bond pricing
- **June 2019** 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 2019C, Series 2019D (State Participation Program), Series 2019E (Water Infrastructure Fund), and Series 2019F (Economically Distressed Areas Program); (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 2019C Draft Bond Resolution
- 2 – Series 2019D Draft Bond Resolution
- 3 – Series 2019E Draft Bond Resolution
- 4 – Series 2019F Draft Bond Resolution
- 5 – Draft Preliminary Official Statement
- 6 – Preliminary Debt Service Schedules

**BOND RESOLUTION
OF THE
TEXAS WATER DEVELOPMENT BOARD
AUTHORIZING THE ISSUANCE OF
STATE OF TEXAS WATER FINANCIAL ASSISTANCE
REFUNDING BONDS, SERIES 2019C
AND SUCH OTHER SUBSERIES
AS MAY BE DESIGNATED PURSUANT TO THE TERMS HEREOF**

**ADOPTED:
APRIL 23, 2019**

TABLE OF CONTENTS**Page****ARTICLE I
DEFINITIONS AND INTERPRETATIONS**

Section 1.01.	Definitions.....	2
Section 1.02.	Rules of Construction	10
Section 1.03.	Interpretations.....	10

**ARTICLE II
THE SERIES 2019C BONDS**

Section 2.01.	Authorization of Bonds	11
Section 2.02.	Denominations, Date and Interest Rates.....	12
Section 2.03.	Maturities and Amounts.....	13
Section 2.04.	Execution of Bonds.....	13
Section 2.05.	Temporary Bonds	13
Section 2.06.	Appointment and Duties of Paying Agent/Registrar	13
Section 2.07.	Registration, Transfer and Exchange of Bonds.....	14
Section 2.08.	Owners of Bonds	16
Section 2.09.	Damaged, Mutilated, Lost, Stolen or Destroyed Bonds.....	16
Section 2.10.	Successor Paying Agent/Registrars	17
Section 2.11.	Book-Entry Only System	18
Section 2.12.	All Bonds On Parity	19

**ARTICLE III
INTEREST RATE ON VARIABLE RATE BONDS**

Section 3.01.	Initial Interest Rates; Subsequent Interest Rates	19
Section 3.02.	Term Rates; Conversions among Term Rate Periods.....	19
Section 3.03.	Fixed Rate Conversion at Option of the Board.....	22

**ARTICLE IV
TENDER AND PURCHASE OF BONDS**

Section 4.01.	No Optional Tender	24
Section 4.02.	Mandatory Tender of the Subseries 2019C-2 Bonds Upon Term Rate Conversion	24
Section 4.03.	Mandatory Tender Upon Fixed Rate Conversion	26
Section 4.04.	Mandatory Tender at End of Initial Rate Period	27

**ARTICLE V
REDEMPTION OF BONDS BEFORE MATURITY**

Section 5.01.	Limitation on Redemption.....	28
Section 5.02.	Optional and Mandatory Redemption for Subseries 2019C-1 Bonds.....	28
Section 5.03.	Optional Redemption for Subseries 2019C-2 Bonds.....	28
Section 5.04.	Scheduled Mandatory Redemption for Subseries 2019C-2	29
Section 5.05.	Partial Redemption	29
Section 5.06.	Notice of Redemption	29
Section 5.07.	Payment Upon Redemption	30
Section 5.08.	Effect of Redemption	30

**ARTICLE VI
FORM OF BONDS AND CERTIFICATES**

Section 6.01.	Form of Bond and Certificates	31
Section 6.02.	Opinion of Bond Counsel.....	31
Section 6.03.	Printing of Statement of Insurance	31

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

Section 7.01.	General Obligations	31
Section 7.02.	Confirmation of Texas Water Development Fund II	31
Section 7.03.	Confirmation of Constitutional and Statutory Funds	32
Section 7.04.	Flow of Funds For Debt Service	33
Section 7.05.	Constitutional Provisions for Debt Payment	34
Section 7.06.	Deposit and Transfer of Funds - Duties of Comptroller	34
Section 7.07.	Payment of Bonds	34
Section 7.08.	Cooperation with State Officers.....	35
Section 7.09.	Investment of Funds	35

**ARTICLE VIII
REMARKETING AGENT; TENDER AGENT**

Section 8.01.	Appointment of Remarketing Agent Upon Conversion	35
Section 8.02.	Appointment of Initial Tender Agent	35
Section 8.03.	Maintaining Tender Agent and Remarketing Agent.....	35

**ARTICLE IX
COVENANTS AND REMEDIES**

Section 9.01.	Special Covenant	36
Section 9.02.	Covenants to Maintain Tax-Exempt Status	36
Section 9.03.	Creation of Accounts and Subaccounts	40
Section 9.04.	Remedies of Bondholders	40
Section 9.05.	Bond Enhancement Agreements.....	40

**ARTICLE X
SUPPLEMENTS AND AMENDMENTS**

Section 10.01.	Amendment of Resolution with Consent of Registered Owners.....	41
Section 10.02.	Amendment of Resolution Without Consent of Registered Owners	42
Section 10.03.	Effect of Amendatory Resolutions	44
Section 10.04.	Bonds May Bear Notation.....	44

**ARTICLE XI
PROVISIONS CONCERNING SALE OF BONDS**

Section 11.01.	Issuance and Sale of Bonds	44
Section 11.02.	Official Statement	45
Section 11.03.	Custody of Bonds	45
Section 11.04.	Use of Bond Proceeds.....	45

**ARTICLE XII
CONTINUING DISCLOSURE UNDERTAKING**

Section 12.01	Continuing Disclosure Undertaking of the Comptroller	46
Section 12.02.	Continuing Disclosure Undertaking of the Board.....	46
Section 12.03.	Incorporation by Reference	48
Section 12.04.	Limitations, Disclaimers, and Amendments.....	48

**ARTICLE XIII
DEFEASANCE**

Section 13.01.	Series 2019C Bonds Deemed Paid.....	49
Section 13.02.	Investment in Defeasance Securities	50
Section 13.03.	Paying Agent/Registrar Services.....	50
Section 13.04.	Selection of Series 2019C Bonds for Defeasance	50

**ARTICLE XIV
MATTERS RELATING TO THE REFUNDED BONDS**

Section 14.01.	Purpose for Refunding.....	51
Section 14.02.	Escrow Agreement	51
Section 14.03.	Purchase of United States Treasury Obligations.....	51
Section 14.04.	Redemption of Refunded Bonds	52
Section 14.05.	Escrow Fund.....	52
Section 14.06.	Transfer of Funds	52

**ARTICLE XV
MISCELLANEOUS PROVISIONS**

Section 15.01.	Further Procedures.....	52
Section 15.02.	Open Meeting; Notice.....	53
Section 15.03.	Prior Actions	53
Section 15.04.	Perfection of Security Interest in Pledge	53
SCHEDULE I	List of Refundable Bonds	I-1
Exhibit A-1	Form of Fixed Rate Bond:	A-1-1
Exhibit A-2	Form of Variable Rate Bond.....	A-2-1
Exhibit B	Paying Agent/Registrar Agreement.....	B-1
Exhibit C	Description of Annual Financial Information of the Board	C-1
Exhibit D	Tender Agent Agreement	D-1

RESOLUTION

**OF THE TEXAS WATER DEVELOPMENT BOARD AUTHORIZING THE
ISSUANCE OF STATE OF TEXAS WATER FINANCIAL ASSISTANCE
REFUNDING BONDS, SERIES 2019C, 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, in furtherance of the purposes set forth in Section 49-d-8, Section 49-d-9 of Article III of the State Constitution ("**Section 49-d-9**"), 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 State as described in "**SCHEDULE I**" attached to this Resolution and incorporated herein by reference (collectively referred to as the "**Refundable Bonds**"); and

WHEREAS, in addition to bonds authorized by other provisions of the State Constitution, 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 of the State, 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 under Section 49-d-11 that are outstanding at any time does not exceed \$6,000,000,000; and

WHEREAS, Section 49-d-11 states 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 aggregate principal amount of previously authorized bonds 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, since the Refundable Bonds were not originally authorized by Section 49-d-11, bonds issued to refund such bonds would not count against the authorization established by Section 49-d-11; and

WHEREAS, current market conditions are favorable to achieve some level of debt service savings and to achieve greater program efficiency to accommodate prepayments made by underlying borrowers in the Board's loan programs if the Board were to refund some or all of the Refundable Bonds; and

WHEREAS, a portion of the bonds issued hereunder to refund the Refundable Bonds may be issued as variable rate obligations; and therefore, the Board hereby finds and determines that the manner in which the refunding associated with such portion of variable rate refunding bonds does not make it practicable to make the determinations otherwise required by Texas Government Code, Section 1207.008(a)(2), as amended; and

WHEREAS, the Board finds it advisable and determines that it is a public purpose and in the best interests of the State, in accordance with authority granted by Section 49-d-8, Section 49-d-9, and the Act, to authorize the refunding of all or a portion of the Refundable Bonds in accordance with Chapter 1207 and Chapter 1371 (hereinafter defined), subject to the parameters set forth in this Resolution, as hereinafter provided; 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 A** to this Resolution), in addition to the terms defined in the preamble 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 executed by an Authorized Representative in accordance with the terms hereof which finalize the pricing and terms of the Series 2019C Bonds pursuant to the parameters set forth in this Resolution, including specifying the issuance of 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 or maturity amount, as the case may be, and any integral multiple thereof.

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

“Board” means the Texas Water Development Board.

“Bond Appendix” means the quarterly appendix prepared by the Comptroller 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.

“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 7.03.

“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 2019C 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 the Series 2019C Bonds, which are part of the same “issue,” as defined in section 1.150-1(c) of the Regulations, as the Series 2019C Bonds.

“Comptroller” means the Comptroller of Public Accounts of the State.

“Continuing Disclosure Agreement” means the Amended and Restated Continuing Disclosure Agreement dated March 12, 2019, between the Comptroller and the Texas Bond Review Board, as may be further amended from time to time.

“Conversion Date” shall mean: (a) with respect to the Fixed Rate Period, the Fixed Rate Conversion Date and (b) with respect to the Term Rate Period, the Term Rate Conversion Date, as applicable.

“Date of Delivery” means the date of delivery of the Series 2019C Bonds to the Underwriters.

“Dated Date” shall mean the date designated in the Approval Certificate as such with respect to the Series 2019C 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 2019C 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 2019C 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 2019C 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 2019C Bonds, initially, the corporate trust office of the Paying Agent/Registrar in Dallas, Texas.

“Development Fund I” means the Texas Water Development Fund as described in the Development Fund I Constitution Provisions..

“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 Agent” means the Bank of New York Mellon Trust Company, N.A., as escrow agent under the Escrow Agreement and any successor thereto as therein permitted.

“Escrow Agreement” means an escrow agreement, deposit agreement, escrow instructions or other comparable document (including any amendments thereto) between the

Board and the Escrow Agent providing for the payment of the Refunded Bonds, in substantially the form approved by the Approval Certificate.

“Escrow Fund” means each escrow fund created with respect to the Refunded Bonds pursuant to the Escrow Agreement.

“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.

“Financial Assistance 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 2019C Bonds.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of any such debt obligation or any such derivative instrument; provided that “Financial Obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The Board and the Comptroller intend the words used in this definition to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

“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.

“Fixed Rate” shall mean the per annum rate or rates of interest the Subseries 2019C-2 Bonds shall bear during the Fixed Rate Period.

“Fixed Rate Conversion Date” shall mean the date on which the Subseries 2019C-2 Bonds begin to bear interest at the Fixed Rate pursuant to Section 3.03, which Fixed Rate Conversion Date shall be an Interest Payment Date on which a new Term Rate Period would otherwise have commenced.

“Fixed Rate Period” shall mean the period beginning on the Fixed Rate Conversion Date and ending at the stated maturity or maturities of the Subseries 2019C-2 Bonds, during which the Subseries 2019C-2 Bonds bear interest at one or more Fixed Rates.

“Form of Bond” shall mean the Form of Fixed Rate Bond and Form of Variable Rate Bond, as applicable, attached hereto as **Exhibit A-1** and **Exhibit A-2**, respectively.

“GASB” means the Governmental Accounting Standards Board.

“Highest Rate” shall mean with respect to the Subseries 2019C-2 Bonds, the lesser of (a) 7.5% per annum or (b) the maximum net effective interest rate permitted by law to be paid thereon as provided by Texas Government Code, Section 1204.006, as amended, or the maximum net effective interest rate permitted by applicable law at the time of issuance of the

Subseries 2019C-2 Bonds or (c) the rate specified in the Approval Certificate as the “Highest Rate.”

“**Holder**” or “**Owner**” shall mean the person who is the registered owner of a Series 2019C Bond or subseries thereof, as shown on the Registration Books.

“**Initial Bonds**” means the Series 2019C 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.

“**Initial Rate**” shall mean the initial interest rate or rates the Subseries 2019C-2 Bonds shall bear for the Initial Rate Period as designated in the Approval Certificate for the Subseries 2019C-2 Bonds.

“**Initial Rate Period**” shall mean the period commencing on the Date of Delivery and ending on the date specified in the Approval Certificate for the Subseries 2019C-2 Bonds, during which period the Subseries 2019C-2 Bonds bear interest at the Initial Rate.

“**Interest Payment Date**” shall mean: (a) with respect to the Subseries 2019C-1 Bonds, each February 1 and August 1, beginning on the first such date occurring after the Date of Delivery; (b) with respect to the Subseries 2019C-2 Bonds bearing interest at the Initial Rate, the dates specified in the Approval Certificate as Interest Payment Dates for the Initial Rate Period; (c) with respect to the Subseries 2019C-2 Bonds bearing interest at the Term Rate, the first day of the sixth calendar month following the month in which the Term Rate Conversion Date occurs and the first day of each sixth month thereafter; and (d) with respect to the Subseries 2019C-2 Bonds bearing interest at the Fixed Rate, each February 1 and August 1, beginning on the first such date occurring after the Fixed Rate Conversion Date.

“**Interest Period**” shall mean (a) with respect to the Subseries 2019C-1 Bonds, (i) the period from and including the Date of Delivery to next Interest Payment Date (but excluding such date) and (ii) thereafter, the period from and including any Interest Payment Date to and including the day immediately preceding the next following Interest Payment Date; and (b) with respect to Subseries 2019C-2 Bonds, (i) the period from and including the Date of Delivery to the next Interest Payment Date (but excluding such date) and (ii) thereafter the period from and including any Interest Payment Date to and including the day immediately preceding the next following Interest Payment Date.

“**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 Financial Assistance 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.

“Official Statement” means the Official Statement pertaining to the Series 2019C Bonds, and authorized by Section 11.02 hereof.

“Opinion of Bond Counsel” shall mean an opinion of nationally recognized bond counsel, to the effect that the conversion of the interest rate on the Subseries 2019C-2 Bonds in accordance with the terms of this Resolution will not have an adverse effect on the exclusion from federal income tax of the interest on the Common Issue Bonds and is in compliance with State law.

“Owner” or **“Holder”** shall mean the person who is the registered owner of a Series 2019C Bond or subseries thereof, as shown on the Registration Books.

“Outstanding” shall mean when used to modify the bonds issued, authenticated and delivered under this Resolution, the Series 2019C Bonds excluding (i) Series 2019C Bonds which have been exchanged or replaced or otherwise surrendered for cancellation, (ii) Series 2019C Bonds which have been paid, (iii) Series 2019C Bonds which have become due and for the payment of which money has been duly provided, (iv) Subseries 2019C-2 Bonds deemed tendered for purchase and not delivered to the Tender Agent on the applicable purchase date, provided sufficient funds for payment of the Purchase Price are on deposit with the Tender Agent, and (v) Series 2019C Bonds with respect to which this Resolution has been discharged pursuant to ARTICLE XIII.

“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 2019C 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.

“Purchase Agreement” means collectively one or more bond purchase agreements between the Board and the Underwriters relating to the sale of the Series 2019C Bonds.

“Purchase Price” shall mean, with respect to each Subseries 2019C-2 Bond (or any portion thereof) tendered for purchase pursuant to ARTICLE IV hereof, the par amount thereof, plus accrued but unpaid interest thereon to the date of purchase; provided, however, that in no event shall the amount of interest paid as part of the Purchase Price of any tendered Bond

exceed an amount equal to the interest which would have accrued on such tendered Bond for a period of 187 days at a rate of 15% per annum and a 365/366 day year.

“Rate Determination Date” shall mean the date when the Remarketing Agent determines the rate of interest to be borne by the Subseries 2019C-2 Bonds pursuant to Section 3.02(b).

“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 2019C 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 9.02.

“Remarketing Agent” shall mean the party selected from time to time by the Board to serve as the remarketing agent for the Subseries 2019C-2 Bonds while the Subseries 2019C-2 Bonds are Outstanding in a Term Rate Period or Stepped Rate Period.

“Remarketing Agreement” shall mean any Remarketing Agreement between the Board and the Remarketing Agent, pertaining to the Subseries 2019C-2 Bonds.

“Resolution” means this Resolution authorizing the issuance of the Series 2019C Bonds and all amendments hereto.

“Rule” means SEC Rule 15c2-12, as amended from time to time.

“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” means Section 49-d-8 of Article III of the State Constitution.

“Section 49-d-9” means Section 49-d-9 of Article III of the State Constitution.

“Section 49-d-10” means Section 49-d-10 of Article III of the State Constitution.

“Section 49-d-11” means Section 49-d-11 of Article III of the State Constitution.

“Series 2019C Bonds” means the State of Texas Water Financial Assistance Refunding Bonds, Series 2019C, 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, including any subseries.

“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.

“Stepped Rate” shall mean, initially, the rate specified in the Approval Certificate as the Stepped Rate and thereafter, the interest rate applicable to the Subseries 2019C-2 Bonds during a Stepped Rate Period as determined by the Remarketing Agent at the time of remarketing of the Subseries 2019C-2 Bonds into the then-applicable Term Rate Period that will immediately precede the Stepped Rate Period (if any); provided, however, that the Stepped Rate shall never exceed the Highest Rate.

“Stepped Rate Period” shall mean the period of time commencing on the mandatory tender date described in Section 4.02(e) and Section 4.04 and continuing through a subsequent remarketing or redemption of the Subseries 2019C-2 Bonds.

“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.

“Subseries 2019C-1 Bonds” shall mean that portion of the Series 2019C Bonds designated and issued as fixed rate bonds as specified in the Approval Certificate.

“Subseries 2019C-2 Bonds” shall mean that portion of the Series 2019C Bonds designated and issued as variable rate bonds as specified in the Approval Certificate.

“Subseries 2019C-2 Payment Fund” shall mean the fund described in Section 4.02(d)(ii) hereof.

“Tender Agent” shall mean, initially, the Paying Agent/Registrar, or any successor thereto.

“Tender Agent Agreement” shall mean the Tender Agent Agreement, between the Board and the Tender Agent, pertaining to the Subseries 2019C-2 Bonds or any similar agreement entered into from time to time with any successor Tender Agent with respect to such bonds.

“Term Bonds” means Series 2019C Bonds so designated by the Board herein or in the Approval Certificate.

“Term Rate” shall mean the interest rate to be determined for the Subseries 2019C-2 Bonds of a term of one or more years pursuant to Section 3.02(b).

“Term Rate Conversion Date” shall mean the day the Subseries 2019C-2 Bonds first bear interest at a Term Rate pursuant to Section 3.02(b) and thereafter an Interest Payment

Date on which interest is payable for the Term Rate Period from which the conversion is to be made.

“**Term Rate Period**” shall mean each period during which the Subseries 2019C-2 Bonds bear interest at a Term Rate.

“**Undelivered Subseries 2019C-2 Bonds**” shall mean Subseries 2019C-2 Bonds which are required to be delivered to the Tender Agent pursuant to the terms of this Resolution and which are not in fact delivered.

“**Underwriters**” means the investment banking firms that contract to purchase the Series 2019C Bonds pursuant to the Purchase Agreement and in accordance with Section 11.01.

“**Water Assistance Project**” 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.

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 the FORM OF BOND refer to the form attached to this Resolution as Exhibit A.

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.

ARTICLE II

THE SERIES 2019C BONDS

Section 2.01. Authorization of Bonds.

(a) Purpose; Maximum Amount. For the purposes set forth in Section 49-d-8 and Section 49-d-9, the negotiable general obligation bonds of the State to be known and designated as **STATE OF TEXAS WATER FINANCIAL ASSISTANCE REFUNDING BONDS, SERIES 2019C**, are hereby authorized and may be issued for the purpose of conserving and developing the water resources of the State, to-wit, by providing funds for the refunding of the Refunded Bonds, and paying expenses arising in connection with the issuance of the Series 2019C Bonds. The combined principal amount of all series or subseries of Common Issue Bonds shall not exceed \$250,000,000.

(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 or subseries, the Series 2019C Bonds and carrying out the procedures specified in this Resolution, including determining:

(i) the date for issuance and sale, and the Dated Date, of each series or subseries of Series 2019C 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 2019C Bonds, *provided, however*, that (x) to the extent any of the Series 2019C Bonds are issued as fixed rate bonds, such bonds shall be designated as Subseries 2019C-1 Bonds; and (y) to the extent any of the Series 2019C Bonds are issued as variable rate bonds, such bonds shall be designated as Subseries 2019C-2 Bonds;

(iv) the principal amount of each series or subseries of Series 2019C 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 a series or subseries of Series 2019C Bonds;

(v) the price at which the Series 2019C Bonds shall be sold;

(vi) the principal amount of Series 2019C Bonds to be sold as current interest bonds, if any; the principal amount of Series 2019C Bonds to be sold as premium capital appreciation bonds, if any; and the principal amount of Series 2019C Bonds to be sold as variable rate bonds, if any;

(vii) the principal amortization schedule for the Series 2019C Bonds (including, without limitation, the designation of any of the maturities of the Series 2019C 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) the length of the Initial Rate Period or Initial Rate Periods (as the same relates to any Subseries 2019C-2 Bonds), and the Stepped Rate applicable to any Subseries 2019C-2 Bonds;

(ix) in accordance with the provisions of ARTICLE V hereof, the redemption features of the Series 2019C Bonds;

(x) the rate or rates of interest to be borne by the Series 2019C Bonds;

(xi) whether to acquire a Bond Enhancement Agreement in support of all or any portion of the Series 2019C Bonds; and

(xii) any other matters relating to the issuance, sale and delivery of the Series 2019C 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 for Refunding. The Authorized Representative may exercise any authority granted under Chapter 1207 or Chapter 1371 to effect the refunding of any or all of the bonds included in the definition of Refundable Bonds to be refunded, so long as on the date the Purchase Agreement is executed:

(i) the net present value savings realized as a result of refunding a portion of the principal amount of the Refunded Bonds with the Subseries 2019C-1 Bonds is not less than two percent (2.00%);

(ii) the maximum maturity of the Series 2019C Bonds issued hereunder shall not exceed the maximum maturity date of the Refunded Bonds being refunded by such series;

(iii) the duration of any Initial Rate Period applicable to any subseries of Series 2019C Bonds shall not exceed four (4) years;

(iv) subject to the limitation specified in Section 2.01(a) above with respect to all Common Issue Bonds, the maximum par amount of the Series 2019C Bonds, aggregating all related subseries, shall not exceed the maximum par amount of the Refunded Bonds being refunded by the Series 2019C Bonds;

(v) the interest rate or rates (i.e. coupon) and Stepped Rate, respectively, applicable to any series or subseries of Series 2019C Bonds during (or after, as the case may be) the Initial Rate Period shall not exceed 7.5%; and

(vi) the final series or subseries of Series 2019C Bonds issued hereunder must be sold no later than April 22, 2020 (though the closing of a particular series of Series 2019C Bonds sold in accordance with this provision may occur after such date as 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 2019C 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** with such changes and modifications as are set forth in the Approval Certificate. Interest on the Series 2019C Bonds shall be payable on the Interest Payment Dates. The Series 2019C Bonds shall bear interest at either fixed or variable 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 2019C Bonds sold to the Underwriters.

Section 2.03. Maturities and Amounts. The Series 2019C Bonds shall mature on the dates and in the amounts as set forth in the principal amortization schedule contained in the applicable Approval Certificate.

Section 2.04. Execution of Bonds. Each Series 2019C 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 2019C Bond had been manually signed by such officers, and the seal had been manually impressed on each Series 2019C Bond.

In case any officer whose signature is on a Series 2019C 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 2019C Bond shall nevertheless be valid.

Section 2.05. Temporary Bonds. Pending the preparation of definitive Series 2019C Bonds, the Board may execute and, upon the Board's request, the Paying Agent/Registrar shall authenticate and deliver, one or more temporary Series 2019C Bonds substantially of the tenor of the definitive Series 2019C 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 2019C Bonds, as such officers executing such temporary Series 2019C Bonds may determine.

Until exchanged for Series 2019C Bonds in definitive form, such Series 2019C 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 2019C Bonds to the Paying Agent/Registrar, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor, definitive Series 2019C Bonds of the same maturity, aggregate principal amount or maturity amount, as the case may be, and bearing or accruing interest at the same rate as the temporary Series 2019C Bonds surrendered. The exchange shall be made without any charge to any owner of Series 2019C 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 2019C 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 2019C 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 2019C Bond to which payments with respect to the Series 2019C 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 2019C Bonds, and to act as its agent to convert and exchange or replace Series 2019C 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 2019C Bonds, and of all conversions and exchanges of such Series 2019C Bonds, and all replacements of such Series 2019C 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 B**, 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 2019C Bond may be transferred on the Registration Books only upon presentation and surrender of such Series 2019C 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 2019C 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 2019C Bond or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Series 2019C Bond or any portion thereof, a new substitute Series 2019C Bond or Series 2019C 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 2019C Bonds in the manner prescribed herein is hereby imposed upon the Paying Agent/Registrar. Each Series 2019C Bond may be converted into and exchanged for fully registered Series 2019C Bonds in the manner set forth herein. Each Series 2019C Bond issued and delivered pursuant to this Resolution, to the extent of the unpaid or unredeemed principal amount or maturity amount thereof, as the case may be, upon surrender of such Series 2019C 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 2019C Bonds in the form prescribed in the FORM OF BOND of like series of subseries, in any Authorized Denomination (subject to the requirement hereinafter stated that

each substitute Series 2019C 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 or maturity amount, as the case may be, equal to the unpaid or unredeemed principal amount or maturity amount of any Series 2019C Bond or Series 2019C 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 2019C Bond shall be redeemed prior to its scheduled maturity as provided herein, a substitute Series 2019C Bond or Series 2019C Bonds having the same maturity date, of like series or subseries 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 or maturity amount, as the case may be, 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 2019C Bonds surrendered for conversion and exchange or replacement. If any Series 2019C Bond or portion thereof is assigned and transferred or converted, each Series 2019C Bond issued in exchange therefor shall have the same principal maturity date, be of like series or subseries and bear or accrue interest at the same rate, as the Series 2019C 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 2019C Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution and delivery of the substitute Series 2019C Bonds in the manner prescribed herein. All Series 2019C Bonds issued in conversion and exchange or replacement of any other Series 2019C Bond or portion thereof (i) shall be issued in fully registered form with the principal of and interest on such Series 2019C 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 2019C Bonds, shall have the characteristics, (vi) shall be signed and sealed, and (vii) the principal of and interest thereon shall be payable, all if and as provided with respect to the Series 2019C Bonds, and in the manner required or indicated, in ARTICLE II of this Resolution. Each substitute Series 2019C Bond shall bear a letter and/or number to distinguish it from each other Series 2019C Bond. Each fully registered Series 2019C Bond delivered in conversion of and exchange for or replacement of any Series 2019C Bond or portion thereof as permitted or required by any provision of this Resolution shall constitute one of the Series 2019C Bonds for all purposes of this Resolution, and may again be converted and exchanged or replaced.

(d) Authentication Certificate. On each substitute Series 2019C Bond issued in conversion of and exchange for or replacement of any Series 2019C Bond or Series 2019C 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 2019C Bond, date and manually sign the Authentication Certificate, and no such Series 2019C 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 2019C Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Initial Bonds which originally were 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 2019C

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 2019C Bonds and ending at the close of business on the day of such mailing or (ii) to transfer or exchange any Series 2019C 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 2019C Bonds, the Paying Agent/Registrar shall be required to transfer or exchange any such Series 2019C Bond which has been selected in whole or in part for redemption upon surrender thereof. In which event, the Paying Agent/Registrar may make such arrangements as it deems appropriate for notation on each new Series 2019C Bond issued in exchange for or upon transfer of the Series 2019C Bond so selected for redemption of an appropriate legend to the effect that such new Series 2019C Bond has been so selected for redemption.

(f) Payment of Fees. The registered owner of any Series 2019C 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 2019C 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 2019C 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 2019C 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 2019C 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 2019C Bonds, when due, and (ii) fees and charges of the Paying Agent/Registrar for services with respect to the transfer or registration of Series 2019C Bonds, and with respect to the conversion and exchange of Series 2019C Bonds solely to the extent above provided.

Section 2.08. Owners of Bonds. The Person in whose name any Series 2019C 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 2019C 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 2019C 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 2019C 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 2019C Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new Series 2019C Bond of the same principal amount or maturity amount, as the case may be, maturity date, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Series 2019C Bond, in replacement for such Series 2019C Bond in the manner hereinafter provided.

(b) Application for Replacement. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Series 2019C Bonds shall be made to the Paying Agent/Registrar. In every case of loss, theft or destruction of a Series 2019C Bond, the applicant for a replacement Series 2019C 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 2019C 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 2019C Bond, as the case may be. In every case of damage or mutilation of a Series 2019C Bond, the applicant shall surrender to the Paying Agent/Registrar for cancellation the Series 2019C Bond so damaged or mutilated.

(c) Payment in Lieu of Replacement. Notwithstanding the foregoing provisions of this Section, in the event any such Series 2019C 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 2019C Bond, the Board may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Series 2019C Bond) instead of issuing a replacement Series 2019C 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 2019C Bond, the Paying Agent/Registrar shall charge the owner of such Series 2019C Bond with all legal, printing, and other expenses in connection therewith. Every replacement Series 2019C Bond issued pursuant to the provisions of this Section by virtue of the fact that any Series 2019C Bond is lost, stolen or destroyed shall constitute a contractual obligation of the Board whether the lost, stolen, or destroyed Series 2019C 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 2019C 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 2019C Bond without necessity of further action by the Board of any other Person, and the duty of the replacement of such Series 2019C Bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Series 2019C Bonds in the form and manner and with the effect, as provided in Section 2.07 for Series 2019C Bonds issued in conversion and exchange for other Series 2019C Bonds.

Section 2.10. Successor Paying Agent/Registrars. The Board covenants with the registered owners of the Series 2019C Bonds that at all times while the Series 2019C 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 2019C 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 2019C 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 2019C 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 Bonds shall be delivered to the Underwriters against payment received therefrom on the Date of Delivery. The senior managing underwriter named in Section 11.01 hereof, acting as the representative for the Underwriters, shall be required to promptly surrender the Initial Bonds to the Paying Agent/Registrar for exchange. Series 2019C Bonds issued in exchange therefor shall be registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Series 2019C 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 2019C Bonds. Beneficial owners of Series 2019C Bonds will not receive physical delivery of Series 2019C Bond certificates except as provided hereinafter. For so long as DTC shall continue to serve as securities depository for the Series 2019C 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 2019C Bonds is to receive, hold or deliver any Series 2019C Bond certificate.

With respect to Series 2019C 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 2019C 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 2019C Bonds, (ii) the delivery to any DTC Participant or any other Person, other than a registered owner of the Series 2019C Bonds, as shown on the Registration Books, of any notice with respect to the Series 2019C 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 2019C Bonds, as shown in the Registration Books, of any amount with respect to principal of or premium, if any, or interest on the Series 2019C Bonds.

Replacement Series 2019C Bonds may be issued directly to beneficial owners of Series 2019C 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 2019C 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 2019C Bonds) that DTC is incapable of discharging its duties as securities depository for the Series 2019C Bonds; or (iii) the Board has determined (which determination is conclusive as to DTC and the beneficial owners of the Series 2019C Bonds) that the interests of the beneficial owners of the Series 2019C 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 2019C Bonds, in certificate form, to the beneficial owners of the Series 2019C 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 2019C Bonds of such determination by mailing an appropriate notice to DTC, it shall cause to be issued replacement Series 2019C Bonds in certificate form to beneficial owners of the Series 2019C Bonds as shown on the records of DTC provided to the Board.

Whenever, during the term of the Series 2019C Bonds, the beneficial ownership thereof is determined by a book entry at DTC, the requirements in this Resolution of holding, delivering or transferring Series 2019C 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 2019C 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 Financial Assistance Bond shall be entitled to priority of payment over any other Financial Assistance Bond in the application of any moneys made available by law for the payment thereof, irrespective of the fact that some of the Financial Assistance Bonds may have been or may be delivered prior to the delivery of other Financial Assistance Bonds, it being the intent of this Resolution that all Financial Assistance Bonds shall rank equally on parity with each other.

ARTICLE III

INTEREST RATE ON VARIABLE RATE BONDS

Section 3.01. Initial Interest Rates; Subsequent Interest Rates. The Subseries 2019C-2 Bonds shall bear interest at the Initial Rate for the Initial Rate Period. At the end of the Initial Rate Period, the Subseries 2019C-2 Bonds shall be subject to mandatory tender, without right of retention by the Owner; provided, however, that a failure of the Remarketing Agent to remarket the Subseries 2019C-2 Bonds at the end of the Initial Rate Period, as further described in Section 4.04, shall result in the holders of the Subseries 2019C-2 Bonds retaining such Subseries 2019C-2 Bonds until the same are remarketed or redeemed pursuant to the applicable provisions of this Resolution. Thereafter, the Subseries 2019C-2 Bonds shall bear interest at the Term Rate determined in accordance with the provisions of Section 3.02, except that the interest period applicable to the Subseries 2019C-2 Bonds may be converted from the Initial Rate Period to a Term Rate Period of the same or different duration or to the Fixed Rate Period pursuant to Section 3.02 or Section 3.03, respectively. An Opinion of Bond Counsel is required prior to or in connection with a conversion from the Initial Rate Period to a Term Rate Period. Notwithstanding the foregoing, if the Remarketing Agent fails to remarket the Subseries 2019C-2 Bonds, resulting in the holders thereof retaining such Subseries 2019C-2 Bonds subsequent to the end of the Initial Rate Period, those Subseries 2019C-2 Bonds shall bear interest at the Stepped Rate for the duration of the Stepped Rate Period.

Section 3.02. Term Rates; Conversions among Term Rate Periods.

(a) **Determination by Remarketing Agent.** Subject to the further provisions of this ARTICLE III with respect to particular Term Rate or conversions between Term Rates, the Term Rate to be applicable to Subseries 2019C-2 Bonds during any Term Rate Period shall be determined by the Remarketing Agent. The Remarketing Agent shall determine the Term Rate in accordance with this section on the Rate Determination Date, and all Subseries 2019C-2 Bonds (other than Subseries 2019C-2 Bonds bearing interest at the Stepped Rate or any

Subseries 2019C-2 Bonds bearing interest at a Fixed Rate) shall be issued in the same Term Rate mode. The Term Rate so determined shall become effective on the first day of the next succeeding Term Rate Period.

(i) In each case, the Term Rate for the Term Rate Period in question shall be determined by the Remarketing Agent on the Rate Determination Date required pursuant to Section 3.02(b) below.

(ii) Each Term Rate determined by the Remarketing Agent shall be the lowest rate of interest which, in the judgment of the Remarketing Agent, would cause the Subseries 2019C-2 Bonds to have a market value not less than equal to the principal amount thereof, plus accrued interest, under prevailing market conditions as of the Rate Determination Date; provided, however, that any excess proceeds resultant from a pricing structure that produces a net reoffering premium shall (after applying a portion of such reoffering premium to the costs incurred by the Board in connection with such reoffering and conversion, if so desired by the Board) be used to reduce the principal amount of Subseries 2019C-2 Bonds that are outstanding after the Term Rate conversion (with the redemption dates and prices determined pursuant to Section 5.03 hereof), and make the Term Rate available to the Paying Agent/Registrar; provided, further, however, that in no event shall the Subseries 2019C-2 Bonds converted to Term Rate bear interest at a rate exceeding the Highest Rate.

(iii) All determinations of Term Rates pursuant to this Section shall be conclusive and binding, absent manifest, upon the Board, the Tender Agent, the Paying Agent/Registrar, and the Owners of the Subseries 2019C-2 Bonds to which such rates are applicable. The Board, the Tender Agent, the Paying Agent/Registrar and the Remarketing Agent shall not be liable to any Owners for failure to give any notice required above or for failure of any Owners to receive such notice.

(b) Manner of Term Rate Determination. A Term Rate shall be determined for each Term Rate Period as follows:

(i) Term Rate Periods shall (A) commence initially on the Term Rate Conversion Date and on the first day of a calendar month which is an integral multiple of twelve (12) calendar months thereafter; and (B) end on the last day preceding either the commencement date of the following Term Rate Period or the Conversion Date on which a different rate period shall become effective.

(ii) The Term Rate for each Term Rate Period shall be effective from and including the commencement date of such Period and remain in effect through and including the last day thereof. Each such Term Rate shall be determined for each Term Rate Period not later than 12:00 p.m., New York City time on the Rate Determination Date, which date shall be a day not more than the 35th day immediately preceding the commencement date of such Term Rate Period (as determined by the Board and the Remarketing Agent), and each such Term Rate shall be made available to the Paying Agent/Registrar and the Tender Agent by the Remarketing Agent by the close of business on its Rate Determination Date.

(iii) Notice of each Term Rate shall be given by the Paying Agent/Registrar by first-class mail to each Owner promptly after such Term Rate is determined.

(iv) At the expiration of the Initial Term Rate Period and any Term Rate Period into which the Subseries 2019C-2 Bonds have been remarketed, respectively, the Board shall be obligated to remarket the Subseries 2019C-2 Bonds pursuant to Section 3.02(c) hereof.

(v) If, at the expiration of the then-applicable Term Rate Period, there occurs a failed remarketing of the type described in Section 4.02(e) hereto, then all of the Outstanding Subseries 2019C-2 Bonds shall bear interest at the Stepped Rate for the duration of the Stepped Rate Period.

(c) Conversions between Term Rate Periods. At the option of the Board, and pursuant to an order of the Board, the Subseries 2019C-2 Bonds may be converted from the Initial Rate Period to one or more Term Rate Periods or from one Term Rate Period to another. In addition, such order of the Board shall identify the Remarketing Agent that will accomplish the remarketing of the Subseries 2019C-2 Bonds on the Board's behalf at the time of such conversion. The Board shall, in connection with the identification of the Remarketing Agent, authorize execution of a Remarketing Agreement therefor if no such agreement is then in place. To accomplish the proposed conversion, the Board shall give written notice of the proposed conversion together with a copy of the Opinion of Bond Counsel to the Remarketing Agent on the date that notice is required to be given pursuant to Section 3.02(c)(ii). The conversion shall be accomplished as follows:

(i) The Conversion Date of a conversion to a new Term Rate Period shall be an Interest Payment Date on which interest is payable for the Initial Rate Period or Term Rate Period, as applicable, from which the conversion is to be made.

(ii) The Board shall give written notice of any such conversion to the Paying Agent/Registrar, and the Tender Agent not less than forty-five (45) days prior to the proposed Conversion Date. Such notice shall specify the proposed Conversion Date and the Term Rate Period(s) to which the conversion will be made, and the number of years to be included within such Term Rate Period(s).

(iii) Not less than thirty (30) days prior to the Conversion Date, the Paying Agent/Registrar shall mail (by first-class mail) a written notice of the conversion to the Owners. Such notice shall:

(A) contain the information set forth in the notice from the Board pursuant to Section 3.02(c)(ii) above,

(B) set forth the dates by which the Remarketing Agent will determine and the Paying Agent/Registrar will notify the Owners of the Term Rate for the Term Rate Period commencing on the Term Rate Conversion Date pursuant to Section 3.02(c)(iv) below, and

(C) set forth the matters required to be stated pursuant to Section 4.02 with respect to purchases of such Subseries 2019C-2 Bonds governed by such Section.

(iv) The Term Rate for the Term Rate Period commencing on the Conversion Date shall be determined by the Remarketing Agent in the manner provided in Section 3.02(a) above on the date set forth in Section 3.02(b) above.

(v) Any conversion pursuant to this Section 3.02 shall be subject to the condition that on or before five (5) days prior to the date the Paying Agent/Registrar is required to give notice of the date of such conversion, the Board shall have delivered to the Paying Agent/Registrar and the Remarketing Agent an Opinion of Bond Counsel. If such Opinion of Bond Counsel is not delivered, the conversion shall not occur and the Subseries 2019C-2 Bonds shall not be converted but shall remain in the same Term Rate Period; provided, however, that such Subseries 2019C-2 Bonds shall be subject to mandatory tender as provided herein.

Section 3.03. Fixed Rate Conversion at Option of the Board. At the option of the Board, and pursuant to an order of the Board, Subseries 2019C-2 Bonds bearing interest at a Term Rate may be converted in whole or in part to a Fixed Rate to their maturity or prior redemption. In the event of a partial conversion pursuant to this Section, the Paying Agent/Registrar shall select by lot or other customary random method the Subseries 2019C-2 Bonds to be converted to a Fixed Rate in order to effectuate a pro rata allocation of the mandatory redemption schedule as set forth in Section 5.04 hereof between the Subseries 2019C-2 Bonds to be converted to a Fixed Rate and the Subseries 2019C-2 Bonds remaining in a Term Rate. Any such conversion shall be made as follows:

(a) The Fixed Rate Conversion Date shall be an Interest Payment Date on which a new Term Rate Period would otherwise have commenced pursuant to Section 3.02(b) hereof.

(b) (i) The Board shall give written notice of any such conversion to the Remarketing Agent, the Paying Agent/Registrar, and the Tender Agent not less than forty-five (45) days prior to the proposed Conversion Date. Such notice shall specify the Fixed Rate Conversion Date and the principal amount of Subseries 2019C-2 Bonds to be converted.

(ii) Not less than thirty (30) days prior to the Fixed Rate Conversion Date, the Paying Agent/Registrar shall mail (by first-class mail) a written notice of the conversion to the Owner of all Subseries 2019C-2 Bonds to be converted, specifying the Conversion Date and setting forth the matters required to be stated pursuant to Section 3.03(c).

(c) Notice of conversion shall be given by first-class mail by the Paying Agent/Registrar to (x) each nationally-recognized securities rating agency that has a then existing rating on the Subseries 2019C-2 Bonds and (y) the Owners of all Subseries 2019C-2 Bonds to be converted. Such notice shall inform the Owners of:

(i) the proposed Fixed Rate Conversion Date;

(ii) the dates by which the Remarketing Agent will determine and the Paying Agent/Registrar will notify the Owners of the Fixed Rate pursuant to Section 3.03(d) below;

(iii) the conditions to the conversion pursuant to Section 3.03(e) below; and

(iv) the matters required to be stated pursuant to Section 4.03 with respect to purchases of Subseries 2019C-2 Bonds governed by such Section.

(d) Not later than 12:00 p.m., New York City time, on the seventh (7th) Business Day prior to the Fixed Rate Conversion Date the Remarketing Agent shall, in consultation with and

subject to the approval of the Board, determine the Fixed Rate or Rates for the Subseries 2019C-2 Bonds which will cause the Subseries 2019C-2 Bonds to have a market value equal to not less than the principal amount thereof, provided that any excess proceeds resultant from a pricing structure that produces a net reoffering premium shall (after applying a portion of such reoffering premium to the costs incurred by the Board in connection with such reoffering and conversion, if so desired by the Board) be used to reduce the principal amount of Subseries 2019C-2 Bonds that are outstanding after the Fixed Rate conversion (with the redemption dates and prices determined pursuant to Section 5.03(c) hereof), and make the Fixed Rate or Rates available to the Paying Agent/Registrar; provided, however, in no event shall the Subseries 2019C-2 Bonds converted to Fixed Rate bear interest at a rate exceeding the Highest Rate. Such determination shall be conclusive and binding upon the Board, the Paying Agent/Registrar and the Owners of the Bond to which such Rate will be applicable. Promptly after the date of determination, the Paying Agent/Registrar shall give notice of such Fixed Rate or Rates by first-class mail to the Tender Agent, and the Owners (as of the Fixed Rate Conversion Date).

(e) Any conversion to a Fixed Rate pursuant to this Section 3.03 shall be subject to the following conditions:

(i) on or before the Fixed Rate Conversion Date, the Board shall have delivered to the Paying Agent/Registrar and the Remarketing Agent an Opinion of Bond Counsel; and

(ii) as of the Fixed Rate Conversion Date, sufficient funds shall be available to purchase Subseries 2019C-2 Bonds which are then required to be purchased pursuant to Section 4.04.

If the foregoing conditions are not met for any reason, the conversion shall not be effective, the Subseries 2019C-2 Bonds shall continue to bear interest at the last effective Term Rate or Stepped Rate, as applicable. The Paying Agent/Registrar shall promptly notify the Owners of such fact and shall give all additional notices and take all further actions required pursuant to Section 5.06.

(f) At its option, the Board also may determine the serial or term maturities, redemption provisions and other terms which shall be applicable to the pricing of the Subseries 2019C-2 Bonds on and after the Fixed Rate Conversion Date. Such option may be exercisable only on a Fixed Rate Conversion Date. Serial maturities shall be determined by the Board at the time of the conversion to a Fixed Rate. Following the Fixed Rate Conversion Date, the Subseries 2019C-2 Bonds shall be subject to optional redemption in whole or in part on such dates as shall be determined at the time of the conversion. If the Board so elects, the serial maturities or mandatory redemption provisions for the Subseries 2019C-2 Bonds converted to a Fixed Rate may be determined on the basis of providing similar relative principal and interest payments on such Subseries 2019C-2 Bonds, including the principal payment schedule set forth in Section 5.03 (after giving pro rata effect for any prior sinking fund redemptions of the Subseries 2019C-2 Bonds, if any, not then converted to a Fixed Rate). Also, if the Board exercises its option to change the redemption provisions and the serial maturity dates, then on or before the Fixed Rate Conversion Date on which such option is exercised, the Board shall, as a condition to the exercise of such option, deliver to the Paying Agent/Registrar an Opinion of Bond Counsel.

ARTICLE IV

TENDER AND PURCHASE OF BONDS

Section 4.01. No Optional Tender. The Series 2019C Bonds are not subject to optional tender by the Holders thereof.

Section 4.02. Mandatory Tender of the Subseries 2019C-2 Bonds Upon Term Rate Conversion.

(a) **Conversions to Term Rate Periods.** While the Board is obligated to remarket the Subseries 2019C-2 Bonds pursuant to Section 3.02(b)(iv), on any Term Rate Conversion Date pursuant to Section 3.02(c), the Subseries 2019C-2 Bonds shall be subject to mandatory tender on such date as follows:

(i) Subseries 2019C-2 Bonds to be converted from the Initial Rate Period to one or more Term Rate Periods or from a Term Rate Period to another Term Rate Period are subject to mandatory tender for purchase on the Term Rate Conversion Date at the Purchase Price; and

(ii) Owners of Subseries 2019C-2 Bonds shall not have the right to retain their Subseries 2019C-2 Bonds upon any such conversion.

(b) **Notice to Owners.** Any notice of a Term Rate Conversion Date given to Owners pursuant to Section 3.03(c)(iii), in addition to the requirements of such Section, shall state that the Subseries 2019C-2 Bonds to be converted are subject to mandatory tender for purchase on the Term Rate Conversion Date and the time at which the Subseries 2019C-2 Bonds are to be tendered for purchase.

(c) **Remarketing.** No later than 1:00 p.m., New York City time, on a Business Day which is at least fifteen (15) days prior to the Term Rate Conversion Date, the Tender Agent shall notify an Authorized Representative and the Remarketing Agent by telephone, facsimile, electronic mail transmission, or other similar communication, of the principal amount of Subseries 2019C-2 Bonds to be tendered for purchase on the Term Rate Conversion Date. Unless the Remarketing Agreement then in effect specifies that such remarketing shall constitute a firm financial arrangement with the Remarketing Agent, the Remarketing Agent shall offer for sale and use its best efforts to find purchasers for such Subseries 2019C-2 Bonds. The terms of any sale by the Remarketing Agent shall provide for the payment of the Purchase Price of tendered Subseries 2019C-2 Bonds to the Remarketing Agent in immediately available funds at or before 9:30 a.m., New York City time, on the Term Rate Conversion Date.

(d) **Purchase of Tendered Subseries 2019C-2 Bonds.**

(i) **Notice.** At or before 3:00 p.m., New York City time, on the Business Day immediately preceding the date fixed for purchase of tendered Subseries 2019C-2 Bonds, the Remarketing Agent shall give notice by telephone, facsimile, electronic mail transmission, or other similar communication to the Tender Agent of the principal amount of tendered Subseries 2019C-2 Bonds which were not remarketed. Not later than 4:00 p.m., New York City time, on the date of receipt of such notice the Tender Agent shall give notice by telephone, facsimile, electronic mail transmission, or other similar communication to an Authorized Representative and the Paying Agent/Registrar

specifying the principal amount of tendered Subseries 2019C-2 Bonds as to which the Remarketing Agent has not found a purchaser. No later than 10:30 a.m., New York City time, on the date fixed for purchase, the Remarketing Agent shall give notice to the Tender Agent by telephone (promptly confirmed in writing) of any change in the names, addresses, and taxpayer identification numbers of the purchaser, the Authorized Denominations of the Subseries 2019C-2 Bonds to be delivered to each purchaser and, if available, payment instructions for regularly scheduled interest payments.

(ii) Sources of Payment. At or before 10:30 a.m., New York City time, the Remarketing Agent shall cause to be paid to the Tender Agent for deposit in the "Texas Water Development Board Water Financial Assistance Remarketing Proceeds Payment Fund, Subseries 2019C-2" (the *Subseries 2019C-2 Payment Fund*) on the date fixed for purchase of the tendered Subseries 2019C-2 Bonds, all amounts representing proceeds of the remarketing of such Subseries 2019C-2 Bonds, such payments to be made in the manner and at the time specified in Section 4.02(c) above. If such amounts, plus all other amounts received by the Tender Agent for the purchase of tendered Subseries 2019C-2 Bonds, are not sufficient to pay the Purchase Price, the Tender Agent shall immediately notify an Authorized Representative of any deficiency no later than 11:00 a.m., New York City time, on such date; provided, however, in the event the date of purchase of the tendered Subseries 2019C-2 Bonds is an Interest Payment Date, payment of the accrued interest portion of the Purchase Price for the tendered Subseries 2019C-2 Bonds shall be the sole responsibility of the Board. The Board (if the Board is obligated to pay the interest portion of the Purchase Price) shall deliver to the Tender Agent immediately available funds in an amount at least equal to its portion of the Purchase Price agreed to be paid on the tender date of such unremarketed tendered Subseries 2019C-2 Bonds prior to 2:00 p.m., New York City time, on the date set for purchase of such tendered Subseries 2019C-2 Bonds. All money received by the Tender Agent as remarketing proceeds and additional amounts, if any, received from the Board to pay the Purchase Price of the tendered Subseries 2019C-2 Bonds shall be deposited by the Tender Agent in the Subseries 2019C-2 Payment Fund to be used solely for the payment of the Purchase Price of such tendered Subseries 2019C-2 Bonds and shall not be commingled with other funds held by the Tender Agent and shall remain uninvested.

(iii) Payments by the Tender Agent. At or before 2:30 p.m., New York City time, on the date set for purchase of tendered Subseries 2019C-2 Bonds and upon receipt by the Tender Agent of 100% of the aggregate Purchase Price of the tendered Subseries 2019C-2 Bonds, the Tender Agent shall pay the Purchase Price of such Subseries 2019C-2 Bonds to the Owners thereof at its designated office or by bank wire transfer. Such payments shall be made in immediately available funds. The Tender Agent shall apply in order (A) money paid to it by the Remarketing Agent as proceeds of the remarketing of such Subseries 2019C-2 Bonds by the Remarketing Agent and (B) money, if any, paid by the Board. If sufficient funds are not available for the purchase of all tendered Subseries 2019C-2 Bonds, no purchase shall be consummated, in which case the provisions of Section 4.02(e) shall apply.

(iv) Registration and Delivery of Tendered or Purchased Subseries 2019C-2 Bonds. On the purchase date, the Tender Agent shall register and deliver (or hold) or cancel all Subseries 2019C-2 Bonds purchased or remarketed by the Remarketing Agent and deliver to the new registered owner in accordance with the instructions of the Remarketing Agent by 2:00 p.m., New York City time.

Notwithstanding anything to the contrary in the foregoing paragraph, for so long as the Subseries 2019C-2 Bonds are held in the Book-Entry-Only System of DTC in accordance with Section 2.11 hereof, any Bond remarketed by the Remarketing Agent shall be delivered to the new beneficial owner thereof by a transfer in the Book-Entry-Only System of DTC of such remarketed Bond to the applicable DTC Participant account for such beneficial owner.

(v) Delivery of Subseries 2019C-2 Bonds; Effect of Failure to Surrender Subseries 2019C-2 Bonds. All Subseries 2019C-2 Bonds to be purchased on any date shall be required to be delivered to the office of the Tender Agent at or before 5:00 p.m., New York City time, on the Business Day next preceding the purchase date (12:00 noon New York City time on the tender date for Subseries 2019C-2 Bonds held in book entry only system). If the Owner of any Bond (or portion thereof) that is subject to purchase pursuant to this Section fails to deliver such Bond to the Tender Agent for purchase on the purchase date, and if the Tender Agent is in receipt of the Purchase Price therefor, such Bond (or portion thereof) shall nevertheless be deemed purchased on the day fixed for purchase thereof and shall constitute an Undelivered Subseries 2019C-2 Bond. Ownership of Undelivered Subseries 2019C-2 Bonds (or portions thereof) shall be transferred to the purchaser thereof as provided in Section 4.02(d)(iv) above. Any Owner of Undelivered Subseries 2019C-2 Bonds shall have no further right thereunder except the right to receive the Purchase Price thereof upon presentation and surrender of said Bond to the Tender Agent. The Tender Agent shall, as to any Undelivered Subseries 2019C-2 Bonds, (A) promptly notify the Remarketing Agent of such nondelivery and (B) place a stop transfer against such Undelivered Subseries 2019C-2 Bonds.

(e) Failure to Remarket Tendered Subseries 2019C-2 Bonds. In the event that Subseries 2019C-2 Bonds in the Initial Rate Period or any Term Rate Period are not converted and remarketed to new purchasers on the applicable Conversion Date, the Board shall have no obligation to purchase the Subseries 2019C-2 Bonds tendered on such date, the failed conversion and remarketing shall not constitute an event of default under this Resolution or the Subseries 2019C-2 Bonds, the mandatory tender will be deemed to have been rescinded for that date with respect to the Subseries 2019C-2 Bonds, and such Subseries 2019C-2 Bonds (i) will continue to be Outstanding, (ii) will be purchased upon the availability of funds to be received from the subsequent remarketing of such Subseries 2019C-2 Bonds, (iii) will bear interest at the Stepped Rate during the Stepped Rate Period, (iv) will be subject to redemption and mandatory tender for purchase on any date during the Stepped Rate Period upon which a conversion occurs (which shall occur at the Board's discretion upon delivery of at least one day's notice to the Holders thereof), and (v) will be deemed to continue in the Initial Rate Period or a Term Rate Period, as applicable, for all other purposes of this Resolution, though bearing interest during such time at the Stepped Rate until remarketed or redeemed in accordance with the terms of this Resolution. In the event of a failed conversion and remarketing as described above, the Board will cause the Subseries 2019C-2 Bonds to be converted and remarketed on the earliest reasonably practicable date on which they can be sold at par, at a Term Rate not exceeding the Highest Rate. All other provisions of Section 4.02 shall apply to and govern Subseries 2019C-2 Bonds described in this Subsection (e) to the extent such terms are not in conflict with those included herein.

Section 4.03. Mandatory Tender Upon Fixed Rate Conversion. (a) Mandatory Tender Upon Conversion. Any Subseries 2019C-2 Bonds to be converted to a Fixed Rate pursuant to Section 3.03 shall be subject to mandatory tender for purchase on the Fixed Rate

Conversion Date at the Purchase Price. The Owners shall not have the right to elect to retain their Subseries 2019C-2 Bonds.

(b) Notice to Owners. Any notice of conversion given to Owners pursuant to Section 3.03(c) shall, in addition to the requirements of such Section, state that Owners shall not have the right to waive mandatory tender and that Subseries 2019C-2 Bonds not delivered to the Tender Agent for purchase on the date specified in the notice shall be deemed tendered on such date and that after such date Owners will not be entitled to any payment (including interest to accrue subsequent to the required purchase date) other than the Purchase Price for such Undelivered Subseries 2019C-2 Bonds and such Undelivered Subseries 2019C-2 Bonds shall no longer be entitled to the benefits of this Resolution.

(c) Remarketing. Unless the Remarketing Agreement then in effect specifies that such remarketing shall constitute a firm financial arrangement with the Remarketing Agent, the Remarketing Agent shall offer for sale and use its best efforts to find purchasers for the Subseries 2019C-2 Bonds; provided that in no event shall the Remarketing Agent offer any such Bond for sale to any person unless the Remarketing Agent has advised such person of the fact that, after the Fixed Rate Conversion Date, the Bond will no longer be subject to tender at the option of the Owner. The terms of any sale by the Remarketing Agent shall provide for the payment of the Purchase Price to the Remarketing Agent of the tendered Subseries 2019C-2 Bonds in immediately available funds at or before 9:30 a.m., New York City time on the Fixed Rate Conversion Date.

(d) Purchase of Tendered Subseries 2019C-2 Bonds. The provisions of Section 4.02(d) shall apply to mandatory tenders pursuant to this Section 4.03.

Section 4.04. Mandatory Tender at End of Initial Rate Period. Notwithstanding any provisions of this Resolution to the contrary, the Subseries 2019C-2 Bonds issued hereunder shall be subject to mandatory tender on the Term Rate Conversion Date immediately following the end of the Initial Rate Period, without right of retention by the Owner, at the Purchase Price. Subseries 2019C-2 Bonds tendered pursuant to this Section 4.04 shall be delivered to the Remarketing Agent against payment therefor in accordance with the provisions of Section 4.02(d). In the event that such Subseries 2019C-2 Bonds are not converted and remarketed to new purchasers on the scheduled date of mandatory tender, the Board shall have no obligation to purchase the Subseries 2019C-2 Bonds tendered on such date, the failed conversion and remarketing shall not constitute an event of default under this Resolution or the Subseries 2019C-2 Bonds, the mandatory tender will be deemed to have been rescinded for that date with respect to all of the Subseries 2019C-2 Bonds then Outstanding, and such Subseries 2019C-2 Bonds (i) will continue to be Outstanding, (ii) will be purchased upon the availability of funds to be received from the subsequent remarketing of such Subseries 2019C-2 Bonds, (iii) will bear interest at the Stepped Rate during the Stepped Rate Period, (iv) will be subject to redemption and mandatory tender for purchase on any date during the Stepped Rate Period upon which a conversion occurs (which shall occur at the Board's discretion upon delivery of at least one day's notice to the holders thereof), and (v) will be deemed to continue in an Initial Rate Period for all other purposes of this Resolution, though bearing interest during such time at the Stepped Rate, until remarketed or redeemed in accordance with the terms of this Resolution. In the event of a failed conversion and remarketing as described above, the Board will cause the Subseries 2019C-2 Bonds to be converted and remarketed on the earliest reasonably practicable date on which they can be sold at par, in such interest rate mode or modes as the Board directs, at a rate not exceeding the Highest Rate.

ARTICLE V

REDEMPTION OF BONDS BEFORE MATURITY

Section 5.01. Limitation on Redemption. Unless otherwise provided in the Approval Certificate, the Series 2019C Bonds shall be subject to redemption before scheduled maturity only as provided in this ARTICLE V. Any provision of this ARTICLE V, including, without limitation, any provisions relating to the method or selection of Series 2019C Bonds for redemption may be modified in an Approval Certificate.

Section 5.02. Optional and Mandatory Redemption for Subseries 2019C-1 Bonds. The Subseries 2019C-1 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 Subseries 2019C-1 Bonds as provided for in the Approval Certificate.

Section 5.03. Optional Redemption for Subseries 2019C-2 Bonds. (a) Prior to the Fixed Rate Conversion Date, Subseries 2019C-2 Bonds bearing interest at the Initial Rate during the Initial Rate Period and at a Term Rate during a Term Rate Period are subject to redemption, if at all, at the times, at the prices, and in the manner determined by the Board on a Term Rate Conversion Date (and as evidenced in an Approval Certificate); provided, however, that the Subseries 2019C-2 Bonds are callable, at the option of the Board, in whole or in part, at a redemption price equal to the principal amount thereof plus interest accrued thereon to the redemption date, on any Term Rate Conversion Date.

(b) Notwithstanding anything herein to the contrary, during the Initial Rate Period, the Subseries 2019C-2 Bonds may be redeemed, at the option of the Board, in whole or in part in Authorized Denominations on the date specified in the Approval Certificate, or on any date thereafter, at the redemption price of par, together with accrued interest to the date of redemption.

(c) Subseries 2019C-2 Bonds bearing interest at the Stepped Rate during the Stepped Rate Period are subject to redemption, in whole or in part, at the option of the Board, at a redemption price equal to the principal amount thereof plus interest accrued thereon at the Stepped Rate to the redemption date, on any date.

(d) Subseries 2019C-2 Bonds bearing interest at a Fixed Rate are subject to redemption at the option of the Board, in whole or in part, on the dates and at the prices determined and established by the Board on the Fixed Rate Conversion Date.

(e) The Board shall deliver notice to the Paying Agent/Registrar of its intention to redeem Subseries 2019C-2 Bonds, which notice shall specify the principal amount of the Subseries 2019C-2 Bonds to be redeemed (i) with respect to Subseries 2019C-2 Bonds bearing interest at a Stepped Rate, at least two (2) days prior to the redemption date and (ii) with respect to Subseries 2019C-2 Bonds bearing interest at a Term Rate or at Fixed Rates, at least forty-five (45) days prior to the redemption date (or such shorter period acceptable to the Paying Agent/Registrar).

(f) On or prior to the date established for optional redemption of any Subseries 2019C-2 Bonds, the Board shall have deposited an amount sufficient to pay the

redemption price of the Subseries 2019C-2 Bonds to be redeemed with the Paying Agent/Registrar. Such money shall be invested, if at all, in Defeasance Securities.

Section 5.04. Scheduled Mandatory Redemption for Subseries 2019C-2. The Subseries 2019C-2 Bonds are subject to mandatory redemption from money on deposit in the Bond Payment Account at a price of par plus accrued interest to the date fixed for redemption, on August 1 in each of the years and in the amounts specified in the Approval Certificate.

The principal amount of Subseries 2019C-2 Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the Board, by the principal amount of any Subseries 2019C-2 Bonds which, at least 50 days prior to the mandatory redemption date (1) shall have been defeased or acquired by the Board and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Board with money in the Bond Fund, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

Section 5.05. Partial Redemption. (a) Subseries 2019C-2 Bonds redeemed in part shall be selected for redemption as described in the FORM OF BOND.

(b) A portion of a single Bond of a denomination greater than an Authorized Denomination may be redeemed but only in a principal amount equal to a minimum Authorized Denomination or any integral multiple thereof. The Paying Agent/Registrar shall treat each minimum Authorized Denomination of such Bond as though it were a single Bond for purposes of selection for redemption.

(c) Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver an exchange Bond or Subseries 2019C-2 Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Section 5.06. Notice of Redemption.

(a) The Paying Agent/Registrar shall record in the Registration Books all such redemptions of principal of the Series 2019C Bonds or any portion thereof. Notice of any redemption of the Series 2019C 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 2019C Bonds as set forth in the FORM OF BOND, the Paying Agent/Registrar shall give notice of redemption of the Series 2019C 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. In addition, in the event of a redemption caused by an advance refunding of the Series 2019C Bonds, the Paying Agent/Registrar shall send a second notice of redemption to the Persons specified in the immediately preceding sentence at least thirty (30) days but not more than ninety (90) days prior to the actual redemption date. 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 2019C Bonds who has not sent the Series 2019C 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 (i), 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 2019C Bond.

(c) The Board reserves the right to give notice of its election to optionally redeem Series 2019C 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 2019C 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 2019C Bonds to be redeemed, including the complete name of the Series 2019C Bonds, the series, the date of issue, the interest rate, the maturity date, the CUSIP number, if any, the amounts called of each Series 2019C 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 2019C 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 2019C Bonds shall include a CUSIP number relating to each amount paid to such registered owner.

(f) Should notice to call Series 2019C 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 2019C Bonds so called for redemption, no Series 2019C Bond shall be redeemed on the date fixed for redemption, and the notice of redemption for such Series 2019C Bonds shall be null and void. Such occurrence shall not result in default of the Board's payment obligations on the Series 2019C Bonds as provided herein or in the Series 2019C Bonds.

Section 5.07. 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 5.08. Effect of Redemption. (a) Notice of redemption having been given, and due provision having been made for payment, the Subseries 2019C-2 Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption; thereafter, such Subseries 2019C-2 Bonds or portions thereof shall cease to bear interest from

the date fixed for redemption, whether or not such Subseries 2019C-2 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 same by the Board.

ARTICLE VI

FORM OF BONDS AND CERTIFICATES

Section 6.01. Form of Bond and Certificates. The form of all Series 2019C Bonds, including the form of the Authentication Certificate and the form of Assignment to be printed on each of the Series 2019C Bonds, and the form of registration certificate of the Comptroller that shall accompany the Initial Bonds, shall be substantially in the form as set forth in the FORM OF BOND, with such appropriate variations, omissions or insertions as are permitted or required by this Resolution or the applicable Approval Certificate. The Series 2019C 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 6.02. 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 2019C Bonds, in the form in which it is to be delivered upon payment for the Series 2019C Bonds, either will be printed on the reverse side of or otherwise attached to the Series 2019C Bonds or will be delivered to DTC if the Series 2019C Bonds are held in book-entry only form; and the use of the lithographed or printed facsimile signature of the Executive Administrator to certify to the correctness of such copy is hereby authorized.

Section 6.03. Printing of Statement of Insurance. The Board hereby authorizes the printer of the Series 2019C Bonds to print thereon any statement of insurance with respect to the Series 2019C Bonds furnished by any municipal bond insurance company insuring the Series 2019C Bonds.

ARTICLE VII

SECURITY AND PAYMENT OF BONDS; ESTABLISHMENT AND FLOW OF FUNDS

Section 7.01. General Obligations. The Financial Assistance Bonds, including the Previously Issued Financial Assistance Bonds and the Series 2019C Bonds, constitute general obligations of the State pursuant to Section 49-d-8, 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 Financial Assistance 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 7.02. 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 7.03. 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 Financial Assistance 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 and interest on the Financial Assistance 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 Financial Assistance 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 7.04 and 7.05, amounts

sufficient to pay when due the principal of and premium, if any, and interest payable on the Financial Assistance 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 Financial Assistance Bonds.

Section 7.04. Flow of Funds For Debt Service.

(a) Transfers for Payments of Bonds. While and so long as any Financial Assistance 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 an amount which shall 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 shall 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 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 for transfer to the Bond Payment Account, as described in subsection (a) of this Section 7.04, 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 shall 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, 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 or interest on such Financial Assistance 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.

(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 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 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 2019C Bonds shall be deposited to the Bond Payment Account to the extent specified in the Applicable Approval Certificate.

Section 7.05. 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 Financial Assistance Bonds, including 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 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 7.06. 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 resolutions authorizing the Financial Assistance 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 Financial Assistance Bonds (including the Designated Payment/Transfer Office of the Paying Agent/Registrar for the Series 2019C Bonds) to pay principal of and interest on all Financial Assistance 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 Financial Assistance Bonds, all in accordance with their respective authorizing resolutions. 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 Financial Assistance Bonds for payment prior to maturity. Remittances to the place of payment for the Financial Assistance Bonds (including the Designated Payment/Transfer Office of the Paying Agent/Registrar for the Series 2019C Bonds) of money for payment of principal and interest or for redemption of Financial Assistance Bonds must be made in accordance with the provisions hereof.

Section 7.07. 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 Financial Assistance Bonds (including the Paying Agent/Registrar for the Series 2019C Bonds) for the payment of interest on and principal of the Financial Assistance Bonds, and any premium thereon, becoming due on each interest or principal 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 Financial Assistance Bonds. In addition, the Board covenants that such moneys shall be forwarded to the place of payment for the Financial Assistance Bonds (including the Designated Payment/Transfer Office of the Paying Agent/Registrar for the Series 2019C 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 7.08. 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 in 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 Financial Assistance Bonds (including the Designated Payment/Transfer Office of the Paying Agent/Registrar for the Series 2019C Bonds), or the place of payment for such payments, if any, to be made under any such Bond Enhancement Agreement.

Section 7.09. 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 Financial Assistance 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.

ARTICLE VIII

REMARKETING AGENT; TENDER AGENT

Section 8.01. Appointment of Remarketing Agent Upon Conversion. Upon initial delivery of the Subseries 2019C-2 Bonds, the Board will not appoint a Remarketing Agent for such bonds. Prior to any conversion of Subseries 2019C-2 Bonds pursuant to Section 3.02(c) hereof, the Board shall appoint a Remarketing Agent and enter into a Remarketing Agreement with respect to such Subseries 2019C-2 Bonds and such conversion.

Section 8.02. Appointment of Initial Tender Agent. The Board hereby appoints the Paying Agent/Registrar as initial Tender Agent for the Subseries 2019C-2 Bonds. The Authorized Representative is hereby authorized and directed to execute and deliver the Tender Agent Agreement, in substantially the form attached hereto as **Exhibit D**, for and on behalf of the Board, and such Tender Agent Agreement, as executed by an Authorized Representative shall be deemed to be the Tender Agent Agreement herein approved and authorized to be executed and delivered for and on behalf of the Board. The Tender Agent shall signify its acceptance of the duties and obligations imposed on it hereunder by its execution of the Tender Agent Agreement.

Each Tender Agent shall be a commercial bank or trust company organized under the laws of the United States or any state, or other entity duly qualified and legally authorized to serve as and perform the duties and services of tender agent for the Subseries 2019C-2 Bonds.

Section 8.03. Maintaining Tender Agent and Remarketing Agent. (a) The Board shall maintain a Tender Agent as long as the Subseries 2019C-2 Bonds are outstanding but the Board shall not maintain a Remarketing Agent for the Subseries 2019C-2 Bonds during the Initial Rate Period. In the order adopted by the Board pursuant to Section 3.02(c) hereof in connection with any conversion of the Subseries 2019C-2 Bonds, the Board shall identify a

Remarketing Agent with respect to such conversion, specify the terms of any such remarketing and authorize the execution of a Remarketing Agreement evidencing the Remarketing Agent's agreement to serve in such capacity. No resignation or removal of the Remarketing Agent (if required to be maintained) or Tender Agent shall become effective until a successor has been appointed and accepted such appointment. Any successor Tender Agent shall have capital of not less than \$50,000,000.

(b) Promptly upon each change in the entity serving as Remarketing Agent or Tender Agent, the Board will cause notice of such change to be sent to each Owner by first-class mail.

ARTICLE IX

COVENANTS AND REMEDIES

Section 9.01. Special Covenant. The Board covenants that it will faithfully and promptly deposit into the Financial Assistance Account all money received from the sale of obligations acquired from Political Subdivisions with moneys from the Financial Assistance Account.

Section 9.02. 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 Bonds are first authenticated and delivered to the initial purchasers against payment therefor.

"Code" means the Internal Revenue Code of 1986, as amended by all legislation, if any, effective on or before the Closing Date.

"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 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 Bonds are invested and which is not acquired to carry out the governmental purposes of the Common Issue 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 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.

“Series 2019 Tax-Exempt Refunded Bonds” means the bonds refunded by the Common Issue Bonds.

“Yield” of

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

(ii) the Common Issue 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 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 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 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 Bonds (including property financed or refinanced with Gross Proceeds of the Series 2019 Tax-Exempt 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 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 Series 2019 Tax-Exempt 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 Bonds and shall take any action necessary to assure that Gross Proceeds of the Common Issue 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 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 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 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 Bonds, the proceeds of which were used to make or refinance the making of such loans. The Board shall assure that Political Subdivisions, or any related persons thereto, will be prohibited from purchasing the Common Issue 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 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 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 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 Bond is discharged. However, to the extent permitted by law, the Board may commingle Gross Proceeds of the Common Issue Bonds with other money of the Board, provided that the Board separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(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 Bonds until six years after the final Computation Date.

(3) As additional consideration for the purchase of the Common Issue Bonds by the purchasers thereof 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 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 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 Bonds not been relevant to either party.

(l) 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 Bonds, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document.

(m) Common Issue Bonds Not Hedge Bonds.

(1) At the time the original bonds refunded by the Common Issue Bonds were issued, the Board reasonably expected that at least 85% of the spendable proceeds of such bonds would be spent within three years after such bonds were issued.

(2) Not more than 50% of the proceeds of the original bonds refunded by the Common Issue Bonds were invested in Nonpurpose Investments having a substantially guaranteed Yield for a period of 4 years or more.

(n) Current Refunding. The Common Issue Bonds are being issued exclusively to pay and discharge in full the Series 2019 Tax-Exempt Refunded Bonds and such payment of the Series 2019 Tax-Exempt Refunded Bonds will occur within ninety (90) days after the issuance of the Common Issue Bonds.

Section 9.03. Creation of Accounts and Subaccounts. The Board covenants that it will maintain within the funds and accounts described in Section 7.03 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 9.04. Remedies of Bondholders. All rights available to the owners of the Financial Assistance 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 Financial Assistance Bonds may be paid promptly, are hereby recognized.

Section 9.05. 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 2019C Bonds, in whole or in part, on the interest rate, currency, cash flow, or other basis desired by the Board.

ARTICLE X

SUPPLEMENTS AND AMENDMENTS**Section 10.01. Amendment of Resolution with Consent of Registered Owners.**

(a) Amendments Requiring Consent. The registered owners of Series 2019C Bonds aggregating in principal amount 51% of the aggregate principal amount or maturity amount, as the case may be, of the Series 2019C Bonds at the time outstanding (but not including in any case Series 2019C 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 2019C Bonds so as to:

- (i) make any change in the maturity of any of the Series 2019C Bonds;
- (ii) reduce the rate of interest borne by any of the Series 2019C Bonds;
- (iii) reduce the principal amount or maturity amount, as applicable payable on any of the Series 2019C Bonds;
- (iv) modify the terms of payment of principal of or interest on or maturity amount, as the case may be, any Series 2019C Bond, or impose any conditions with respect to such payment;
- (v) change the minimum percentage of the principal amount or maturity amount of the Series 2019C Bonds necessary for consent to such amendment; or
- (vi) affect the rights of the registered owners of less than all of the Series 2019C Bonds then outstanding;

unless such amendment or amendments be approved by the registered owners of all of the Series 2019C 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 2019C 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 2019C 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 2019C 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 2019C 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 and maturity amount, as applicable, of the Series 2019C 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 2019C Bond shall be established by the registration of any such Series 2019C Bond on the Registration Books kept and maintained by the Paying Agent/Registrar.

Section 10.02. Amendment of Resolution Without Consent of Registered Owners.

(a) Amendments Not Requiring Consent. The foregoing provisions of this ARTICLE X notwithstanding, the Board may, without prior notice to or 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 Financial Assistance 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 Financial Assistance 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 9.02 and 12.04) 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 Financial Assistance Bonds, to amend the provisions of ARTICLE VII 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; or

- (ii) the accounts within Development Fund II; or
- (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; or
- (iv) the use of the proceeds of the Financial Assistance Bonds; or
- (v) the rights, duties and obligations of the Comptroller as specified in ARTICLE VII; or
- (vi) the procedure for payment of the Financial Assistance 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 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 Financial Assistance 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 or interest on the Financial Assistance 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 Financial Assistance 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 Financial Assistance 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 Financial Assistance 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 Financial Assistance Bonds.

Section 10.03. 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 2019C Bonds shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such amendments.

Section 10.04. Bonds May Bear Notation. Series 2019C Bonds authenticated and delivered after the execution of any amendatory resolution pursuant to this ARTICLE X 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 2019C 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 2019C Bonds then outstanding.

ARTICLE XI

PROVISIONS CONCERNING SALE OF BONDS

Section 11.01. Issuance and Sale of Bonds.

(a) **Approval Certificate.** Each 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 or subseries of Series 2019C 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 2019C Bonds were the most advantageous to the Board reasonably obtained, and the sale of the Series 2019C Bonds is in the best interests of the Board.

(b) **Underwriters.** Wells Fargo Bank, National Association 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 2019C 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 Financial Assistance Bonds previously issued by the Board to finance Water Assistance Projects. A Purchase Agreement shall contain the terms of the sale of the Series 2019C Bonds, as negotiated by the Authorized Representative in accordance with the terms hereof. Each Authorized Representative is hereby authorized and directed 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 2019C Bonds shall be delivered unless prior to delivery, the particular series or subseries of Series 2019C 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 2019C 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 2019C Bonds shall have the same force and effect as a finding or determination made by the Board.

Section 11.02. 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 2019C Bonds sold under the terms of such Purchase Agreement, such document to be in substantially the form utilized in connection with the sale of Financial Assistance 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 11.03. Custody of Bonds. After the Initial Bonds have 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 Bonds to the Attorney General for examination and approval. After the Initial Bonds shall have been approved by the Attorney General they shall be delivered to the Comptroller for registration. The Initial Bonds 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 2019C Bonds to the Underwriters on the Date of Delivery.

Section 11.04. Use of Bond Proceeds. Proceeds from the sale of Series 2019C 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 applicable Approval Certificate signed by an Authorized Representative.

ARTICLE XII

CONTINUING DISCLOSURE UNDERTAKING**Section 12.01 Continuing Disclosure Undertaking of the Comptroller.**

(a) General. The Board and the legal and beneficial owners of the Series 2019C Bonds are third-party beneficiaries of the Continuing Disclosure Agreement. The Comptroller is required to observe the Continuing Disclosure Agreement in respect of any issue of "Securities," as defined in the Continuing Disclosure Agreement (which include the Series 2019C Bonds), for so long as the State remains an "obligated person" as defined in the Rule. Under the Continuing Disclosure 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 as described below.

(b) Annual Reports of the State. Pursuant to the Continuing Disclosure Agreement, the Comptroller will provide certain updated financial information and operating data to the MSRB annually. The Comptroller is not obligated to provide such financial and operating data more frequently than on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the State of the general type included in the Bond Appendix. The Comptroller will update and provide this information within 195 days after the end of each fiscal year of the State. The updated information provided by the Comptroller need 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.

(c) Event Notices of the Comptroller. Under the Continuing Disclosure Agreement, the Comptroller has also agreed to provide notice to the MSRB of any of the following events, with respect to the Series 2019C Bonds, in a timely manner and not more than ten (10) business days after occurrence of the event:

(i) incurrence of a Financial Obligation of the State, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the State, any of which affect security holders, if material; and

(ii) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the State, any of which reflect financial difficulties.

(d) Change in State Fiscal Year. The State's current fiscal year end is August 31. 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.

Section 12.02. Continuing Disclosure Undertaking of the Board.

(a) Annual Reports of the Board. The Board shall provide annually to the MSRB, within 195 days after the end of each Fiscal Year ending in or after 2019, financial information and operating data with respect to the Board and the State of the general type included in

Tables 1 and 2 and Appendix B the final Official Statement authorized by **Section 11.02**, being the information described in **Exhibit C** hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in **Exhibit C** 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.

(b) Event Notices of the Board. 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 2019C 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 2019C Bonds, or other material events affecting the tax status of the Series 2019C Bonds;
7. Modifications to rights of holders of the Series 2019C Bonds, if material;
8. Series 2019C Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Series 2019C 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 U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if jurisdiction has been assumed by leaving the Board and officials or officers of the Board in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board. 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 12.02(a) by the time required by such Section.

(c) **Change in Board Fiscal Year.** 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.

Section 12.03. Incorporation by Reference. 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 12.04. Limitations, Disclaimers, and Amendments. The Board shall be obligated to observe and perform the covenants specified in this ARTICLE for so long as, but only for so long as, the Board or the State remains an “obligated person” with respect to the Series 2019C Bonds within the meaning of the Rule, except that the Board in any event will give the notice required by Section 12.02(b) of any Series 2019C Bond calls and defeasance that cause the Board and the State to be no longer “obligated persons”.

The provisions of this ARTICLE are for the sole benefit of the holders and beneficial owners of the Series 2019C Bonds, and nothing in this ARTICLE, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other Person. The Board undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this ARTICLE and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Board’s or the State’s financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this ARTICLE or otherwise, except as expressly provided herein. The Board does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Series 2019C Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE BOARD BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY SERIES 2019C BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE BOARD, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY

SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

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

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

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

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

The provisions of this ARTICLE may be amended by the Board from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Board or the State, but only if (1) the provisions of this ARTICLE, as so amended, would have permitted an underwriter to purchase or sell Series 2019C Bonds in the primary offering of the Series 2019C 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 maturity amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding Series 2019C 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 2019C Bonds. If the Board so amends the provisions of this ARTICLE, it shall include with any amended financial information or operating data next provided in accordance with Section 12.02(a) 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 2019C Bonds in the primary offering of the Series 2019C Bonds.

ARTICLE XIII

DEFEASANCE

Section 13.01. Series 2019C Bonds Deemed Paid. Any Series 2019C 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 XIII, when payment of the principal of such Series 2019C Bond, plus interest thereon to the due date (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 2019C Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Series 2019C 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 13.02. 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 2019C 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 13.01. 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 13.03. 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 13.04. Selection of Series 2019C Bonds for Defeasance. In the event that the Board elects to defease less than all of the principal amount of Series 2019C Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Series 2019C Bonds by such random method as it deems fair and appropriate and consistent with the terms of this Resolution.

ARTICLE XIV

MATTERS RELATING TO THE REFUNDED BONDS

Section 14.01. 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 produce a net present value savings and it provides additional program efficiency by giving the Board the flexibility to possibly repay its outstanding debt in the event of the early repayment of the underlying loans made by the Board from such Refunded Bonds proceeds. An Authorized Representative shall execute and deliver an Approval Certificate setting forth the amount of net present value savings realized as a result of the refunding of the Refunded Bonds with the Subseries 2019C-1 Bonds, evidencing that any minimum savings threshold established in Section 2.01(c) of this Resolution has been met. To the extent Subseries 2019C-2 Bonds are issued, they will be issued as variable rate obligations; and therefore, the Board hereby finds and determines that the manner in which any refunding associated with the issuance of the Subseries 2019C-2 Bonds does not make it practicable to make the determinations otherwise required by Texas Government Code, Section 1207.008(a)(2), as amended.

Section 14.02. Escrow Agreement.

The Escrow Agreement, in substantially the form attached to the Approval Certificate, is hereby approved by the Board, and the Executive Administrator or other Authorized Representative is hereby authorized to execute and deliver the same on behalf of the Board. The redemption, discharge and defeasance of the Refunded Bonds shall be effected pursuant to the terms and provisions of the Escrow Agreement in substantially the form approved by the Approval Certificate, the terms and provisions of which are hereby approved, subject to such insertions, additions and modifications as shall be necessary (a) to provide that the sufficiency of the Escrow Fund shall be certified as to mathematical accuracy in a sufficiency certificate or a report prepared by a nationally recognized firm acceptable to the Board, its financial advisors and the Escrow Agent with respect to the adequacy of the escrowed securities referred to in the Escrow Agreement to pay, when due, the principal of, interest on, and any call premium requirements on the Refunded Bonds, (b) to comply with all applicable laws and regulations relating to the refunding of the Refunded Bonds, (c) to carry out the other intents and purposes of this Resolution, and (d) to comply with the terms set forth in the Approval Certificate.

Section 14.03. Purchase of United States Treasury Obligations.

In order to assure the purchase of any escrowed securities to be held pursuant to the Escrow Agreement, the Executive Administrator or other Authorized Representative is hereby authorized to make necessary arrangements for the subscription and purchase of, such obligations of the United States of America, or other securities or investments as may be permitted under State law and applicable federal tax law, in such amounts, maturities, and bearing interest at such rates as may be provided for in the sufficiency certificate or report referred to in Section 14.02, and the Executive Administrator or other Authorized Representative is authorized, either prior to Closing or after the date thereof, to execute any and all subscriptions, purchase contracts, forward purchase contracts, commitments, letters of authorization, and other documents necessary or desirable, in the judgment of the Executive Administrator or other Authorized Representative, to effect the foregoing, and any actions heretofore taken by the Executive Administrator or other Authorized Representative for such purpose are hereby ratified and approved.

Section 14.04. Redemption of Refunded Bonds. Upon issuance of the Series 2019C Bonds, the Refunded Bonds identified in the Approval Certificate to be redeemed are hereby declared to be called for redemption on the redemption date or dates identified in the Approval Certificate, consistent with the provisions set forth in the respective proceedings authorizing their issuance with respect to the redemption of bonds at the option of the Board. In connection with the prior redemption of any of the Refunded Bonds as may be provided for in the Approval Certificate, the Authorized Representative is hereby directed to coordinate with the Escrow Agent to give notice of such redemption, in substantially the form attached to the Approval Certificate, in accordance with the applicable terms of the resolution that authorized such series of 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 escrowed to maturity or prior redemption.

Section 14.05. Escrow Fund.

The Board hereby establishes the Escrow Fund to be maintained by the Escrow Agent for application as provided in the Escrow Agreement. The Escrow Fund is hereby established and shall be created and maintained by the Escrow Agent for application as provided in the Escrow Agreement.

Section 14.06. Transfer of Funds.

The Board shall allocate remaining money in each of the interest and sinking funds and/or project funds for each series of Refunded Bonds to the series or subseries of Series 2019C Bonds which refund such bonds and transfer such funds to the applicable Interest and Sinking Fund or the applicable escrow account within the Escrow Fund as may be determined by the Board pursuant to federal income tax law requirements.

ARTICLE XV

MISCELLANEOUS PROVISIONS

Section 15.01. Further Procedures. The Chairman, the Executive Administrator, the Development Fund Manager, the General Counsel, 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 2019C Bonds. In addition, prior to the initial delivery of the Series 2019C Bonds, the Chairman, the Executive Administrator, the 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 2019C 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 15.02. 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 15.03. Prior Actions. All actions taken by the Board authorizing the issuance of the Series 2019C 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 15.04. Perfection of Security Interest in Pledge. Chapter 1208 applies to the issuance of the Series 2019C 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 2019C 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 2019C 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.

[Remainder of Page Intentionally Left Blank]

ADOPTED AND APPROVED this the 23rd day of April, 2019.

Peter M. Lake, Chairman
Texas Water Development Board

ATTEST:

Jeff Walker, Executive Administrator
Texas Water Development Board

(SEAL)

SCHEDULE I

LIST OF REFUNDABLE BONDS

State of Texas Water Financial Assistance Bonds, Series 2009C-1

State of Texas Water Financial Assistance Refunding Bonds, Series 2009C-2

State of Texas Water Financial Assistance Bonds, Series 2010A

LIST OF EXHIBITS

Exhibit A-1	Form of Fixed Rate Bond
Exhibit A-2	Form of Variable Rate Bond
Exhibit B	Paying Agent/Registrar Agreement
Exhibit C	Description of Annual Financial Information of the Board
Exhibit D	Tender Agent Agreement

EXHIBIT A-1

FORM OF FIXED RATE BOND:

NO. _____

\$ _____

UNITED STATES OF AMERICA
 STATE OF TEXAS
 WATER FINANCIAL ASSISTANCE REFUNDING BOND
 SUBSERIES 2019C-1

<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>DATED DATE</u>	<u>CUSIP</u>
	%	_____, 2019	

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, 20[20], 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 August 1, 20[19], such interest is payable semiannually on each February 1 and August 1 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 Subseries 2019C-1 Bonds when due.

Interest on the Subseries 2019C-1 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 Subseries 2019C-1 Bonds is determined only by a book entry at a securities depository for the Subseries 2019C-1 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 _____ (\$ _____) (the "Subseries 2019C-1 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") 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 refunding the Refunded Bonds, and to pay expenses arising in connection with the issuance of the Subseries 2019C-1 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 Subseries 2019C-1 Bonds through the execution of one or more Approval Certificates (the Bond Resolution and applicable 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 SUBSERIES 2019C-1 BONDS are not subject to redemption at the option of the Board prior to maturity.

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 Subseries 2019C-1 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 Subseries 2019C-1 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 Subseries 2019C-1 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 Subseries 2019C-1 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 Subseries 2019C-1 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 or Section 49-d-9 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 (as defined in the Resolution) 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.

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 Comptroller of Public Accounts of the State of Texas.

**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)
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 Subseries 2019C-1 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 REFUNDING BOND
SUBSERIES 2019C-1

Bond Date:
_____, 2019

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</u> <u>Stated Maturity</u>	<u>Principal</u> <u>Amount (\$)</u>	<u>Interest</u> <u>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, 20[20], and each February 1 and August 1 thereafter, until maturity. Principal installments of this Subseries 2019C-1 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 "Security Register" 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 Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. 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.

EXHIBIT A-2

FORM OF VARIABLE RATE BOND

[The Initial Subseries 2019C-2 Bond shall be numbered T-1]

NO. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
WATER FINANCIAL ASSISTANCE REFUNDING BOND
SUBSERIES 2019C-2

MATURITY DATE

INTEREST RATE
Variable

DATED DATE
_____, 2019

CUSIP

Registered Owner:

Principal Amount:

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"), on the Stated Maturity date specified above the Principal Amount hereinabove stated (or so much thereof as shall not have been paid upon prior redemption) and to pay interest on the unpaid principal amount hereof from the later of the date of delivery shown above or the most recent Interest Payment Date to which interest has been paid or provided for. Interest shall accrue from the Date of Delivery.

Interest on this Subseries 2019C-2 Bond is payable to the registered owner hereof by check, dated as of the Interest Payment Date, and sent by first-class mail, postage prepaid, by the Paying Agent/Registrar to each Owner at the address shown on the Registration Books or by such other customary banking arrangement acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of the Owner. The principal hereof is payable upon presentation and surrender of this Subseries 2019C-2 Bond at the designated office of The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as initial Paying Agent/Registrar, or any successor Paying Agent/Registrar.

For the purpose of the payment of interest on this Subseries 2019C-2 Bond, the registered owner shall be the person in whose name this Subseries 2019C-2 Bond is registered on the record date, which shall be the close of business on the fifteenth day of the month immediately preceding such Interest Payment Date.

As used herein, *Interest Payment Date* shall mean (i) with respect to Subseries 2019C-2 Bonds during the Initial Rate Period, each _____ and _____, commencing _____, ____; (ii) with respect to Subseries 2019C-2 Bonds bearing interest at the Term Rate, the first day of the sixth calendar month following the month in which the Term Rate Conversion Date occurs and the first day of each sixth month thereafter; (iii) with respect to Subseries 2019C-2 Bonds bearing interest at the Fixed Rate, each February 1 and August 1, beginning on the first such date occurring after the Fixed Rate Conversion Date and (iv) each mandatory tender date during any Stepped Rate Period.

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 Subseries 2019C-2 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.

THIS SUBSERIES 2019C-2 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 Subseries 2019C-2 Bond specified above, aggregating _____ Dollars (\$ _____) (the "Subseries 2019C-2 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") 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 refunding the Refunded Bonds, and to pay expenses arising in connection with the issuance of the Subseries 2019C-2 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 Subseries 2019C-2 Bonds through the execution of one or more Approval Certificates (the Bond Resolution and applicable 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..

This Subseries 2019C-2 Bond shall not be valid or obligatory for any purpose unless it is registered by the Comptroller of Public Accounts of Texas by certificate affixed or attached hereto or authenticated by the Paying Agent/Registrar by due execution of the Authentication Certificate provided herein.

Even though initially issued and from time to time Outstanding in a Variable Rate (defined herein) mode, the Subseries 2019C-2 Bonds are not benefited by a third-party liquidity and are not subject to optional tender by the Holders thereof.

INTEREST PROVISIONS

This Subseries 2019C-2 Bond bears interest at an Initial Rate or a Term Rate (each a "Variable Rate") or a Fixed Rate.

This Subseries 2019C-2 Bond initially shall bear interest at the Initial Rate per annum from the Date of Delivery stated above through _____ (the "Initial Rate Period"). The Subseries 2019C-2 Bonds shall be subject to mandatory tender, without right of retention by the owners thereof, on _____ and shall be tendered to the Remarketing Agent against payment therefor. Thereafter, this Subseries 2019C-2 Bond shall bear interest at a Term Rate until converted to a Fixed Rate Period during which it shall bear interest at a Fixed Rate.

The rate of interest applicable to any Initial Rate Period or Term Rate Period shall be determined in accordance with the applicable provisions of the Resolution and, with respect to

Term Rate Periods, pursuant to the terms of the Remarketing Agreement between the Board and the Remarketing Agent named by the Board from time to time under the Resolution (the "Remarketing Agent").

Interest on the Subseries 2019C-2 Bonds shall be computed on the basis of a 360-day year of twelve 30-day months.

The Subseries 2019C-2 Bonds may bear interest from time to time, at the Initial Rate or at Term Rates established in accordance with the Resolution. While the Subseries 2019C-2 Bonds bear interest at a Term Rate, the interest rate determined will remain in effect for a term of one year or any whole multiple of one year selected in accordance with the Resolution. At the option of the Board, the Subseries 2019C-2 Bonds bearing interest at a Variable Rate may be converted in whole or in part to bear interest at a Fixed Rate or Fixed Rates to the Maturity Date.

An interest rate mode will remain in effect until changed. During each Term Rate Period, and unless otherwise established by the Board, the rate of interest on the Subseries 2019C-2 Bonds shall be that rate which, in the determination of the Remarketing Agent, if borne by the Subseries 2019C-2 Bonds on the date of such determination under prevailing market conditions, would result in the market value of the Subseries 2019C-2 Bonds being equal to not less than 100% of the principal amount thereof. If the Remarketing Agent is unable, or fails, to determine the Term Rate, the Term Rate shall remain that in effect for the then current Term Rate Period. The provisions of this Subseries 2019C-2 Bond, including, but not limited to this paragraph, are limited in all respects to those provisions of the Resolution which limit the interest rate on the Subseries 2019C-2 Bonds to the Highest Rate.

Subseries 2019C-2 Bonds Rate will be issued in denominations of \$5,000 and integral multiples thereof.

WRITTEN NOTICE OF RATE MODE CHANGE

While the Subseries 2019C-2 Bonds bear interest at a Variable Rate, the Paying Agent/Registrar shall give notice to the registered owners of the conversion from one interest rate mode to another at the times described in the Resolution. ANY REGISTERED OWNER OF BONDS WHO MAY BE UNABLE TO TAKE TIMELY ACTION ON ANY NOTICE SHOULD CONSIDER WHETHER TO MAKE ARRANGEMENTS FOR ANOTHER PERSON TO ACT IN HIS OR HER STEAD. If a new interest rate mode for the Subseries 2019C-2 Bonds is not selected in a timely fashion in accordance with the Resolution, the interest rate mode then in effect will continue until changed by timely notice.

MANDATORY TENDER

While this Subseries 2019C-2 Bond bears interest at a Variable Rate, this Subseries 2019C-2 Bond is subject to mandatory tender for purchase by the Tender Agent, at a Purchase Price equal to the principal amount hereof plus accrued interest hereon to the date of purchase, on the effective date of a change from one interest rate mode to a different interest rate mode.

The Subseries 2019C-2 Bonds are subject to mandatory tender for purchase, without the right of Owners to retain Subseries 2019C-2 Bonds, on the date specified in a notice to Owners, (i) on _____, which is the next business day immediately following the

end of the Initial Rate Period, (ii) on each subsequent Term Rate Conversion Date and (iii) on the day preceding the Fixed Rate Conversion Date.

FAILED REMARKETING

Initial Rate Period. In the event that this Subseries 2019C-2 Bond bears interest at an Initial Rate and it is not converted and remarketed to new purchasers on the scheduled date of mandatory tender, the Board shall have no obligation to purchase this Subseries 2019C-2 Bond tendered on such date, the failed conversion and remarketing shall not constitute an event of default under the Resolution or this Subseries 2019C-2 Bond, the mandatory tender will be deemed to have been rescinded for that date with respect to this Subseries 2019C-2 Bond, and this Subseries 2019C-2 Bond (i) will continue to be Outstanding, (ii) will be purchased upon the availability of funds to be received from the subsequent remarketing of this Subseries 2019C-2 Bond, (iii) will bear interest at the Stepped Rate during the Stepped Rate Period, (iv) will be subject to redemption and mandatory tender for purchase on any date during the Stepped Rate Period upon which a conversion occurs (which shall occur at the Board's discretion upon delivery of at least one day's notice to the holder hereof), and (v) will be deemed to continue in an Initial Rate Period for all other purposes of the Resolution, though bearing interest during such time at the Stepped Rate, until remarketed or redeemed in accordance with the terms of the Resolution. In the event of a failed conversion and remarketing as described above, the Board will cause this Subseries 2019C-2 Bond to be converted and remarketed on the earliest reasonably practical date on which it can be sold at par, in such interest rate mode or modes as the Board directs, at a rate not exceeding the Highest Rate.

Term Rate Periods. If this Subseries 2019C-2 Bond is subject to mandatory tender on the Term Rate Conversion Date because of conversion to a new Term Rate Period from an existing Term Rate Period, and this Subseries 2019C-2 Bond is not converted and remarketed to new purchasers on the scheduled date of mandatory tender because of a failed remarketing, then the Board shall have no obligation to purchase this Subseries 2019C-2 Bond tendered on such date, the failed conversion and remarketing shall not constitute an event of default under the Resolution or this Subseries 2019C-2 Bond, the mandatory tender will be deemed to have been rescinded for that date with respect to this Subseries 2019C-2 Bond, and this Subseries 2019C-2 Bond (i) will continue to be Outstanding, (ii) will be purchased upon the availability of funds to be received from the subsequent remarketing of this Subseries 2019C-2 Bond, (iii) will bear interest at the Stepped Rate during the Stepped Rate Period, (iv) will be subject to redemption and mandatory tender for purchase on any date during the Stepped Rate Period upon which a conversion occurs (which shall occur at the Board's discretion upon delivery of at least one day's notice to the holders thereof), and (v) will be deemed to continue in a Term Rate Period for all other purposes of this Resolution, though bearing interest during such time at the Stepped Rate until remarketed or redeemed in accordance with the terms of this Resolution. In the event of a failed conversion and remarketing as described above, the Board will cause this Subseries 2019C-2 Bond to be converted and remarketed on the earliest reasonably practical date on which it can be sold at par, in such interest rate mode or modes as the Board directs, at a rate not exceeding the Highest Rate.

UNDELIVERED BONDS

Subseries 2019C-2 Bonds which are required to be tendered by the Owners thereof for purchase by the Tender Agent but which are not in fact delivered for purchase on the date and at the time required and for which there has been deposited an amount sufficient to pay the Purchase Price thereof, shall cease to accrue interest on the tender date, and the Owner

thereof shall not be entitled to any payment other than the Purchase Price for such Bond. Such Bond shall no longer be Outstanding and entitled to the benefits of the Resolution, except for the payment of the Purchase Price from money held by the Tender Agent for such payment. On the tender date, the Tender Agent shall authenticate and deliver substitute Subseries 2019C-2 Bonds in lieu of such Undelivered Subseries 2019C-2 Bonds.

REDEMPTION PROVISIONS

Optional Redemption. The Subseries 2019C-2 Bonds shall be subject to redemption prior to maturity, at the option of the Board, in whole or in part, in Authorized Denominations, on _____, or on any date thereafter and on any date the Subseries 2019C-2 Bonds bear interest at a Stepped Rate, at the redemption price of par plus accrued interest to the date of redemption.

Subseries 2019C-2 Bonds bearing interest at a Stepped Rate are subject to redemption, in whole or in part, at the option of the Board, on any date at a redemption price equal to the principal amount thereof plus interest accrued thereon at the Stepped Rate to the redemption date.

The Board shall deliver notice to the Paying Agent/Registrar of its intention to redeem Subseries 2019C-2 Bonds, which notice shall specify the principal amount of the Subseries 2019C-2 Bonds to be redeemed (i) with respect to Subseries 2019C-2 Bonds bearing interest at a Stepped Rate, at least two (2) days prior to the redemption date and (ii) with respect to Subseries 2019C-2 Bonds bearing interest at a Term Rate or at Fixed Rates, at least forty-five (45) days prior to the redemption date (or such shorter period acceptable to the Paying Agent/Registrar).

Scheduled Mandatory Redemption. The Subseries 2019C-2 Bonds are subject to mandatory sinking fund redemption by the Board prior to their scheduled maturity (but not during the Initial Rate Period) at a redemption price of par plus accrued interest to the date fixed for redemption, on August 1 in each of the years and in the principal amounts indicated below:

Subseries 2019C-2 Bonds

<u>Year (August 1)</u>	<u>Amount (\$)</u>	<u>Year (August 1)</u>	<u>Amount (\$)</u>
------------------------	--------------------	------------------------	--------------------

The principal amount of Subseries 2019C-2 Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the Board, by the principal amount of any Subseries 2019C-2 Bonds which, at least 50 days prior to the mandatory redemption date (1) shall have been acquired by the Board at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions set forth in above and not theretofor credited against a mandatory redemption requirement.

Notice of optional and scheduled mandatory redemption shall be given by first-class mail, postage prepaid, (i) with respect to Subseries 2019C-2 Bonds bearing interest at a Stepped Rate, at least 1 day prior to the redemption date and (ii) with respect to Subseries 2019C-2 Bonds bearing interest at a Term Rate or Fixed Rate, at least thirty (30) days before the date fixed for redemption, to the Owner of each Bond to be redeemed in whole or in part. Notice having been so given, the Subseries 2019C-2 Bonds or portions thereof designated for redemption shall become due and payable on the redemption date specified in such notice; from and after such date, notwithstanding that any of the Subseries 2019C-2 Bonds or portions thereof so called for redemption shall not have been surrendered for payment, interest on such Subseries 2019C-2 Bonds or portions thereof shall cease to accrue.

GENERAL PROVISIONS

As provided in the Resolution, and subject to certain limitations therein set forth, this Subseries 2019C-2 Bond is transferable upon surrender of this Subseries 2019C-2 Bond for transfer at the designated office of the Paying Agent/Registrar with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar; thereupon, one or more new fully registered Subseries 2019C-2 Bonds of the same stated maturity and interest rate mode, of Authorized Denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

DELIVERY OF NOTICES AND BONDS

Any Subseries 2019C-2 Bonds required to be delivered to the Tender Agent for purchase, and any notices required to be delivered to the Tender Agent hereunder shall be delivered to: The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

Subseries 2019C-2 Bonds required to be tendered for purchase shall be delivered to the Tender Agent prior to 5:00 p.m. on the Business Day next preceding the date of purchase.

The Board will identify the Remarketing Agent for the Subseries 2019C-2 Bonds in the order authorizing any conversion following the Initial Rate Period.

THIS SUBSERIES 2019C-2 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 Bonds, upon the terms and conditions set forth in the Resolution. Among other requirements for such assignment and transfer, this Subseries 2019C-2 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 Subseries 2019C-2 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 Subseries 2019C-2 Bond, shall be delivered by the Paying Agent/Registrar in conversion of and exchange for this Subseries 2019C-2 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 Subseries 2019C-2 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 Subseries 2019C-2 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 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 Subseries 2019C-2 Bond is determined by a book entry at a securities depository for the Bonds, the foregoing requirements of holding, delivering or transferring this Subseries 2019C-2 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 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 Bonds.

BY BECOMING the registered owner of this Subseries 2019C-2 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 Subseries 2019C-2 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 Subseries 2019C-2 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 Subseries 2019C-2 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 Subseries 2019C-2 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 or Section 49-d-9 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 (as defined in the Resolution) 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 Subseries 2019C-2 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 Subseries 2019C-2 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.

[The remainder of this page intentionally left blank.]

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 Subseries 2019C-2 Bond has been issued under the provisions of the Resolution described on the face of this Subseries 2019C-2 Bond; and that this Subseries 2019C-2 Bond has been issued in conversion of and exchange for or replacement of a Bond, Bonds or a portion of a Bond or Bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, 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)
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)

EXHIBIT B
PAYING AGENT/REGISTRAR AGREEMENT

See Attached

EXHIBIT C

**DESCRIPTION OF ANNUAL FINANCIAL INFORMATION
OF THE BOARD**

The following information is referred to in Section 12.02 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 the quantitative financial information and operating data pertaining to the Board included in Tables 1 and 2 of the Official Statement and in Appendix B to the Official Statement relating to the Bonds.

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 D
TENDER AGENT AGREEMENT

See Attached

**BOND RESOLUTION
OF THE
TEXAS WATER DEVELOPMENT BOARD
AUTHORIZING THE ISSUANCE OF
STATE OF TEXAS WATER FINANCIAL ASSISTANCE
REFUNDING BONDS, SERIES 2019D
(STATE PARTICIPATION PROGRAM)
AND SUCH OTHER SUBSERIES
AS MAY BE DESIGNATED PURSUANT TO THE TERMS HEREOF**

**ADOPTED:
APRIL 23, 2019**

TABLE OF CONTENTS**Page****ARTICLE I
DEFINITIONS AND INTERPRETATIONS**

Section 1.01.	Definitions.....	2
Section 1.02.	Rules of Construction	10
Section 1.03.	Interpretations.....	10

**ARTICLE II
THE SERIES 2019D BONDS**

Section 2.01.	Authorization of Bonds	11
Section 2.02.	Denominations, Date and Interest Rates.....	12
Section 2.03.	Maturities and Amounts.....	13
Section 2.04.	Execution of Bonds.....	13
Section 2.05.	Temporary Bonds	13
Section 2.06.	Appointment and Duties of Paying Agent/Registrar	13
Section 2.07.	Registration, Transfer and Exchange of Bonds.....	14
Section 2.08.	Owners of Bonds	16
Section 2.09.	Damaged, Mutilated, Lost, Stolen or Destroyed Bonds.....	16
Section 2.10.	Successor Paying Agent/Registrars	17
Section 2.11.	Book-Entry Only System	18
Section 2.12.	All Bonds On Parity	19

**ARTICLE III
INTEREST RATE ON VARIABLE RATE BONDS**

Section 3.01.	Initial Interest Rates; Subsequent Interest Rates	19
Section 3.02.	Term Rates; Conversions among Term Rate Periods.....	19
Section 3.03.	Fixed Rate Conversion at Option of the Board.....	22

**ARTICLE IV
TENDER AND PURCHASE OF BONDS**

Section 4.01.	No Optional Tender	24
Section 4.02.	Mandatory Tender of the Subseries 2019D-2 Bonds Upon Term Rate Conversion	24
Section 4.03.	Mandatory Tender Upon Fixed Rate Conversion	27
Section 4.04.	Mandatory Tender at End of Initial Rate Period	27

**ARTICLE V
REDEMPTION OF BONDS BEFORE MATURITY**

Section 5.01.	Limitation on Redemption.....	28
Section 5.02.	Optional and Mandatory Redemption for Subseries 2019D-1 Bonds.....	28
Section 5.03.	Optional Redemption for Subseries 2019D-2 Bonds.....	28
Section 5.04.	Scheduled Mandatory Redemption for Subseries 2019D-2	29
Section 5.05.	Partial Redemption	29
Section 5.06.	Notice of Redemption	29
Section 5.07.	Payment Upon Redemption	30
Section 5.08.	Effect of Redemption	30

**ARTICLE VI
FORM OF BONDS AND CERTIFICATES**

Section 6.01.	Form of Bond and Certificates	31
Section 6.02.	Opinion of Bond Counsel.....	31
Section 6.03.	Printing of Statement of Insurance	31

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

Section 7.01.	General Obligations	31
Section 7.02.	Confirmation of Texas Water Development Fund II	31
Section 7.03.	Confirmation of Constitutional and Statutory Funds	32
Section 7.04.	Flow of Funds For Debt Service	33
Section 7.05.	Constitutional Provisions for Debt Payment	34
Section 7.06.	Deposit and Transfer of Funds - Duties of Comptroller	34
Section 7.07.	Payment of Bonds	34
Section 7.08.	Cooperation with State Officers.....	35
Section 7.09.	Investment of Funds	35

**ARTICLE VIII
REMARKETING AGENT; TENDER AGENT**

Section 8.01.	Appointment of Remarketing Agent Upon Conversion	35
Section 8.02.	Appointment of Initial Tender Agent	35
Section 8.03.	Maintaining Tender Agent and Remarketing Agent.....	35

**ARTICLE IX
COVENANTS AND REMEDIES**

Section 9.01.	Special Covenant	36
Section 9.02.	Covenants to Maintain Tax-Exempt Status	36
Section 9.03.	Creation of Accounts and Subaccounts	40
Section 9.04.	Remedies of Bondholders	40
Section 9.05.	Bond Enhancement Agreements.....	40

**ARTICLE X
SUPPLEMENTS AND AMENDMENTS**

Section 10.01.	Amendment of Resolution with Consent of Registered Owners.....	41
Section 10.02.	Amendment of Resolution Without Consent of Registered Owners	42
Section 10.03.	Effect of Amendatory Resolutions	44
Section 10.04.	Bonds May Bear Notation.....	44

**ARTICLE XI
PROVISIONS CONCERNING SALE OF BONDS**

Section 11.01.	Issuance and Sale of Bonds	44
Section 11.02.	Official Statement	45
Section 11.03.	Custody of Bonds	45
Section 11.04.	Use of Bond Proceeds.....	45

**ARTICLE XII
CONTINUING DISCLOSURE UNDERTAKING**

Section 12.01	Continuing Disclosure Undertaking of the Comptroller	46
Section 12.02.	Continuing Disclosure Undertaking of the Board.....	46
Section 12.03.	Incorporation by Reference	48
Section 12.04.	Limitations, Disclaimers, and Amendments.....	48

**ARTICLE XIII
DEFEASANCE**

Section 13.01.	Series 2019D Bonds Deemed Paid.....	49
Section 13.02.	Investment in Defeasance Securities	50
Section 13.03.	Paying Agent/Registrar Services.....	50
Section 13.04.	Selection of Series 2019D Bonds for Defeasance	50

**ARTICLE XIV
MATTERS RELATING TO THE REFUNDED BONDS**

Section 14.01.	Purpose for Refunding.....	51
Section 14.02.	Escrow Agreement	51
Section 14.03.	Purchase of United States Treasury Obligations.....	51
Section 14.04.	Redemption of Refunded Bonds	52
Section 14.05.	Escrow Fund.....	52
Section 14.06.	Transfer of Funds	52

**ARTICLE XV
MISCELLANEOUS PROVISIONS**

Section 15.01.	Further Procedures.....	52
Section 15.02.	Open Meeting; Notice.....	53
Section 15.03.	Prior Actions	53
Section 15.04.	Perfection of Security Interest in Pledge	53
SCHEDULE I	List of Refundable Bonds	I-1
Exhibit A-1	Form of Fixed Rate Bond:	A-1-1
Exhibit A-2	Form of Variable Rate Bond.....	A-2-1
Exhibit B	Paying Agent/Registrar Agreement.....	B-1
Exhibit C	Description of Annual Financial Information of the Board	C-1
Exhibit D	Tender Agent Agreement	D-1

RESOLUTION

**OF THE TEXAS WATER DEVELOPMENT BOARD AUTHORIZING THE
ISSUANCE OF STATE OF TEXAS WATER FINANCIAL ASSISTANCE
REFUNDING BONDS, SERIES 2019D (STATE PARTICIPATION PROGRAM),
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, in furtherance of the purposes set forth in Section 49-d-8, Section 49-d-9 of Article III of the State Constitution ("**Section 49-d-9**"), 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 State as described in "**SCHEDULE I**" attached to this Resolution and incorporated herein by reference (collectively referred to as the "**Refundable Bonds**"); and

WHEREAS, in addition to bonds authorized by other provisions of the State Constitution, 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 of the State, 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 under Section 49-d-11 that are outstanding at any time does not exceed \$6,000,000,000; and

WHEREAS, Section 49-d-11 states 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 aggregate principal amount of previously authorized bonds 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, since the Refundable Bonds were not originally authorized by Section 49-d-11, bonds issued to refund such bonds would not count against the authorization established by Section 49-d-11; and

WHEREAS, current market conditions are favorable to achieve some level of debt service savings and to achieve greater program efficiency to accommodate prepayments made by underlying borrowers in the Board's loan programs if the Board were to refund some or all of the Refundable Bonds; and

WHEREAS, a portion of the bonds issued hereunder to refund the Refundable Bonds may be issued as variable rate obligations; and therefore, the Board hereby finds and determines that the manner in which the refunding associated with such portion of variable rate refunding bonds does not make it practicable to make the determinations otherwise required by Texas Government Code, Section 1207.008(a)(2), as amended; and

WHEREAS, the Board finds it advisable and determines that it is a public purpose and in the best interests of the State, in accordance with authority granted by Section 49-d-8, Section 49-d-9, and the Act, to authorize the refunding of all or a portion of the Refundable Bonds in accordance with Chapter 1207 and Chapter 1371 (hereinafter defined), subject to the parameters set forth in this Resolution, as hereinafter provided; 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 A** to this Resolution), in addition to the terms defined in the preamble 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 executed by an Authorized Representative in accordance with the terms hereof which finalize the pricing and terms of the Series 2019D Bonds pursuant to the parameters set forth in this Resolution, including specifying the issuance of 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 or maturity amount, as the case may be, and any integral multiple thereof.

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

“Board” means the Texas Water Development Board.

“Bond Appendix” means the quarterly appendix prepared by the Comptroller 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.

“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 7.03.

“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 2019D 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 the Series 2019D Bonds, which are part of the same “issue,” as defined in section 1.150-1(c) of the Regulations, as the Series 2019D Bonds.

“Comptroller” means the Comptroller of Public Accounts of the State.

“Continuing Disclosure Agreement” means the Amended and Restated Continuing Disclosure Agreement dated March 12, 2019, between the Comptroller and the Texas Bond Review Board, as may be further amended from time to time.

“Conversion Date” shall mean: (a) with respect to the Fixed Rate Period, the Fixed Rate Conversion Date and (b) with respect to the Term Rate Period, the Term Rate Conversion Date, as applicable.

“Date of Delivery” means the date of delivery of the Series 2019D Bonds to the Underwriters.

“Dated Date” shall mean the date designated in the Approval Certificate as such with respect to the Series 2019D 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 2019D 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 2019D 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 2019D 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 2019D Bonds, initially, the corporate trust office of the Paying Agent/Registrar in Dallas, Texas.

“Development Fund I” means the Texas Water Development Fund as described in the Development Fund I Constitution Provisions..

“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 Agent” means the Bank of New York Mellon Trust Company, N.A., as escrow agent under the Escrow Agreement and any successor thereto as therein permitted.

“Escrow Agreement” means an escrow agreement, deposit agreement, escrow instructions or other comparable document (including any amendments thereto) between the

Board and the Escrow Agent providing for the payment of the Refunded Bonds, in substantially the form approved by the Approval Certificate.

“Escrow Fund” means each escrow fund created with respect to the Refunded Bonds pursuant to the Escrow Agreement.

“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.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of any such debt obligation or any such derivative instrument; provided that “Financial Obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The Board and the Comptroller intend the words used in this definition to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

“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.

“Fixed Rate” shall mean the per annum rate or rates of interest the Subseries 2019D-2 Bonds shall bear during the Fixed Rate Period.

“Fixed Rate Conversion Date” shall mean the date on which the Subseries 2019D-2 Bonds begin to bear interest at the Fixed Rate pursuant to Section 3.03, which Fixed Rate Conversion Date shall be an Interest Payment Date on which a new Term Rate Period would otherwise have commenced.

“Fixed Rate Period” shall mean the period beginning on the Fixed Rate Conversion Date and ending at the stated maturity or maturities of the Subseries 2019D-2 Bonds, during which the Subseries 2019D-2 Bonds bear interest at one or more Fixed Rates.

“Form of Bond” shall mean the Form of Fixed Rate Bond and Form of Variable Rate Bond, as applicable, attached hereto as **Exhibit A-1** and **Exhibit A-2**, respectively.

“GASB” means the Governmental Accounting Standards Board.

“Highest Rate” shall mean with respect to the Subseries 2019D-2 Bonds, the lesser of (a) 7.5% per annum or (b) the maximum net effective interest rate permitted by law to be paid thereon as provided by Texas Government Code, Section 1204.006, as amended, or the maximum net effective interest rate permitted by applicable law at the time of issuance of the Subseries 2019D-2 Bonds or (c) the rate specified in the Approval Certificate as the “Highest Rate.”

“Holder” or **“Owner”** shall mean the person who is the registered owner of a Series 2019D Bond or subseries thereof, as shown on the Registration Books.

“Initial Bonds” means the Series 2019D 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.

“Initial Rate” shall mean the initial interest rate or rates the Subseries 2019D-2 Bonds shall bear for the Initial Rate Period as designated in the Approval Certificate for the Subseries 2019D-2 Bonds.

“Initial Rate Period” shall mean the period commencing on the Date of Delivery and ending on the date specified in the Approval Certificate for the Subseries 2019D-2 Bonds, during which period the Subseries 2019D-2 Bonds bear interest at the Initial Rate.

“Interest Payment Date” shall mean: (a) with respect to the Subseries 2019D-1 Bonds, each February 1 and August 1, beginning on the first such date occurring after the Date of Delivery; (b) with respect to the Subseries 2019D-2 Bonds bearing interest at the Initial Rate, the dates specified in the Approval Certificate as Interest Payment Dates for the Initial Rate Period; (c) with respect to the Subseries 2019D-2 Bonds bearing interest at the Term Rate, the first day of the sixth calendar month following the month in which the Term Rate Conversion Date occurs and the first day of each sixth month thereafter; and (d) with respect to the Subseries 2019D-2 Bonds bearing interest at the Fixed Rate, each February 1 and August 1, beginning on the first such date occurring after the Fixed Rate Conversion Date.

“Interest Period” shall mean (a) with respect to the Subseries 2019D-1 Bonds, (i) the period from and including the Date of Delivery to next Interest Payment Date (but excluding such date) and (ii) thereafter, the period from and including any Interest Payment Date to and including the day immediately preceding the next following Interest Payment Date; and (b) with respect to Subseries 2019D-2 Bonds, (i) the period from and including the Date of Delivery to the next Interest Payment Date (but excluding such date) and (ii) thereafter the period from and including any Interest Payment Date to and including the day immediately preceding the next following Interest Payment Date.

“Money and Assets Attributable to Bonds” means:

- (1) the Board’s rights to receive repayment of financial assistance provided from the State Participation 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 State Participation Bonds, including money and assets transferred to the State Participation Account from Development Fund I pursuant to Subsection (b) of Section 49-d-8; and
- (5) money deposited in the State Participation Account pursuant to Subsection (c) of Section 49-d-8.

“MSRB” means the Municipal Securities Rulemaking Board.

“Official Statement” means the Official Statement pertaining to the Series 2019D Bonds, and authorized by Section 11.02 hereof.

“Opinion of Bond Counsel” shall mean an opinion of nationally recognized bond counsel, to the effect that the conversion of the interest rate on the Subseries 2019D-2 Bonds in accordance with the terms of this Resolution will not have an adverse effect on the exclusion from federal income tax of the interest on the Common Issue Bonds and is in compliance with State law.

“Owner” or **“Holder”** shall mean the person who is the registered owner of a Series 2019D Bond or subseries thereof, as shown on the Registration Books.

“Outstanding” shall mean when used to modify the bonds issued, authenticated and delivered under this Resolution, the Series 2019D Bonds excluding (i) Series 2019D Bonds which have been exchanged or replaced or otherwise surrendered for cancellation, (ii) Series 2019D Bonds which have been paid, (iii) Series 2019D Bonds which have become due and for the payment of which money has been duly provided, (iv) Subseries 2019D-2 Bonds deemed tendered for purchase and not delivered to the Tender Agent on the applicable purchase date, provided sufficient funds for payment of the Purchase Price are on deposit with the Tender Agent, and (v) Series 2019D Bonds with respect to which this Resolution has been discharged pursuant to ARTICLE XIII.

“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 2019D 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 State Participation Bonds” means bonds previously issued to provide funds for the State Participation Account and any refunding bonds issued in replacement thereof.

“Purchase Agreement” means collectively one or more bond purchase agreements between the Board and the Underwriters relating to the sale of the Series 2019D Bonds.

“Purchase Price” shall mean, with respect to each Subseries 2019D-2 Bond (or any portion thereof) tendered for purchase pursuant to ARTICLE IV hereof, the par amount thereof, plus accrued but unpaid interest thereon to the date of purchase; provided, however, that in no event shall the amount of interest paid as part of the Purchase Price of any tendered Bond exceed an amount equal to the interest which would have accrued on such tendered Bond for a period of 187 days at a rate of 15% per annum and a 365/366 day year.

“Rate Determination Date” shall mean the date when the Remarketing Agent determines the rate of interest to be borne by the Subseries 2019D-2 Bonds pursuant to Section 3.02(b).

“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 2019D 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 9.02.

“Remarketing Agent” shall mean the party selected from time to time by the Board to serve as the remarketing agent for the Subseries 2019D-2 Bonds while the Subseries 2019D-2 Bonds are Outstanding in a Term Rate Period or Stepped Rate Period.

“Remarketing Agreement” shall mean any Remarketing Agreement between the Board and the Remarketing Agent, pertaining to the Subseries 2019D-2 Bonds.

“Resolution” means this Resolution authorizing the issuance of the Series 2019D Bonds and all amendments hereto.

“Rule” means SEC Rule 15c2-12, as amended from time to time.

“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” means Section 49-d-8 of Article III of the State Constitution.

“Section 49-d-9” means Section 49-d-9 of Article III of the State Constitution.

“Section 49-d-10” means Section 49-d-10 of Article III of the State Constitution.

“Section 49-d-11” means Section 49-d-11 of Article III of the State Constitution.

“Series 2019D Bonds” means the State of Texas Water Financial Assistance Refunding Bonds, Series 2019D (State Participation Program), 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, including any subseries.

“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 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 State Participation Account of Development Fund II, including the Previously Issued State Participation Bonds and the Series 2019D Bonds.

“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.

“Stepped Rate” shall mean, initially, the rate specified in the Approval Certificate as the Stepped Rate and thereafter, the interest rate applicable to the Subseries 2019D-2 Bonds during a Stepped Rate Period as determined by the Remarketing Agent at the time of remarketing of the Subseries 2019D-2 Bonds into the then-applicable Term Rate Period that will immediately precede the Stepped Rate Period (if any); provided, however, that the Stepped Rate shall never exceed the Highest Rate.

“Stepped Rate Period” shall mean the period of time commencing on the mandatory tender date described in Section 4.02(e) and Section 4.04 and continuing through a subsequent remarketing or redemption of the Subseries 2019D-2 Bonds.

“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.

“Subseries 2019D-1 Bonds” shall mean that portion of the Series 2019D Bonds designated and issued as fixed rate bonds as specified in the Approval Certificate.

“Subseries 2019D-2 Bonds” shall mean that portion of the Series 2019D Bonds designated and issued as variable rate bonds as specified in the Approval Certificate.

“Subseries 2019D-2 Payment Fund” shall mean the fund described in Section 4.02(d)(ii) hereof.

“Tender Agent” shall mean, initially, the Paying Agent/Registrar, or any successor thereto.

“Tender Agent Agreement” shall mean the Tender Agent Agreement, between the Board and the Tender Agent, pertaining to the Subseries 2019D-2 Bonds or any similar agreement entered into from time to time with any successor Tender Agent with respect to such bonds.

“Term Bonds” means Series 2019D Bonds so designated by the Board herein or in the Approval Certificate.

“Term Rate” shall mean the interest rate to be determined for the Subseries 2019D-2 Bonds of a term of one or more years pursuant to Section 3.02(b).

“Term Rate Conversion Date” shall mean the day the Subseries 2019D-2 Bonds first bear interest at a Term Rate pursuant to Section 3.02(b) and thereafter an Interest Payment Date on which interest is payable for the Term Rate Period from which the conversion is to be made.

“Term Rate Period” shall mean each period during which the Subseries 2019D-2 Bonds bear interest at a Term Rate.

“Undelivered Subseries 2019D-2 Bonds” shall mean Subseries 2019D-2 Bonds which are required to be delivered to the Tender Agent pursuant to the terms of this Resolution and which are not in fact delivered.

“Underwriters” means the investment banking firms that contract to purchase the Series 2019D Bonds pursuant to the Purchase Agreement and in accordance with Section 11.01.

“Water Assistance Project” 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.

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 the FORM OF BOND refer to the form attached to this Resolution as Exhibit A.

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.

ARTICLE II

THE SERIES 2019D BONDS

Section 2.01. Authorization of Bonds.

(a) Purpose; Maximum Amount. For the purposes set forth in Section 49-d-8 and Section 49-d-9, the negotiable general obligation bonds of the State to be known and designated as **STATE OF TEXAS WATER FINANCIAL ASSISTANCE REFUNDING BONDS, SERIES 2019D (STATE PARTICIPATION PROGRAM)**, are hereby authorized and may be issued for the purpose of conserving and developing the water resources of the State, to-wit, by providing funds for the refunding of the Refunded Bonds, and paying expenses arising in connection with the issuance of the Series 2019D Bonds. The combined principal amount of all series or subseries of Common Issue Bonds shall not exceed \$250,000,000.

(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 or subseries, the Series 2019D Bonds and carrying out the procedures specified in this Resolution, including determining:

(i) the date for issuance and sale, and the Dated Date, of each series or subseries of Series 2019D 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 2019D Bonds, *provided, however,* that (x) to the extent any of the Series 2019D Bonds are issued as fixed rate bonds, such bonds shall be designated as Subseries 2019D-1 Bonds; and (y) to the extent any of the Series 2019D Bonds are issued as variable rate bonds, such bonds shall be designated as Subseries 2019D-2 Bonds;

(iv) the principal amount of each series or subseries of Series 2019D 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 a series or subseries of Series 2019D Bonds;

(v) the price at which the Series 2019D Bonds shall be sold;

(vi) the principal amount of Series 2019D Bonds to be sold as current interest bonds, if any; the principal amount of Series 2019D Bonds to be sold as premium capital appreciation bonds, if any; and the principal amount of Series 2019D Bonds to be sold as variable rate bonds, if any;

(vii) the principal amortization schedule for the Series 2019D Bonds (including, without limitation, the designation of any of the maturities of the Series 2019D 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) the length of the Initial Rate Period or Initial Rate Periods (as the same relates to any Subseries 2019D-2 Bonds), and the Stepped Rate applicable to any Subseries 2019D-2 Bonds;

(ix) in accordance with the provisions of ARTICLE V hereof, the redemption features of the Series 2019D Bonds;

(x) the rate or rates of interest to be borne by the Series 2019D Bonds;

(xi) whether to acquire a Bond Enhancement Agreement in support of all or any portion of the Series 2019D Bonds; and

(xii) any other matters relating to the issuance, sale and delivery of the Series 2019D 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 for Refunding. The Authorized Representative may exercise any authority granted under Chapter 1207 or Chapter 1371 to effect the refunding of any or all of the bonds included in the definition of Refundable Bonds to be refunded, so long as on the date the Purchase Agreement is executed:

(i) the net present value savings realized as a result of refunding a portion of the principal amount of the Refunded Bonds by the Subseries 2019D-1 Bonds is not less than two percent (2.00%);

(ii) the maximum maturity of the Series 2019D Bonds issued hereunder shall not exceed the maximum maturity date of the Refunded Bonds being refunded by such series;

(iii) the duration of any Initial Rate Period applicable to any subseries of Series 2019D Bonds shall not exceed four (4) years;

(iv) subject to the limitation specified in Section 2.01(a) above with respect to all Common Issue Bonds, the maximum par amount of the Series 2019D Bonds, aggregating all related subseries, shall not exceed the maximum par amount of the Refunded Bonds being refunded by the Series 2019D Bonds;

(v) the interest rate or rates (i.e. coupon) and Stepped Rate, respectively, applicable to any series or subseries of Series 2019D Bonds during (or after, as the case may be) the Initial Rate Period shall not exceed 7.5%; and

(vi) the final series or subseries of Series 2019D Bonds issued hereunder must be sold no later than April 22, 2020 (though the closing of a particular series of Series 2019D Bonds sold in accordance with this provision may occur after such date as 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 2019D 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** with such changes and modifications as are set forth in the Approval Certificate. Interest on the Series 2019D Bonds shall be payable on the Interest Payment Dates. The Series 2019D Bonds shall bear interest at either fixed or variable 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 2019D Bonds sold to the Underwriters.

Section 2.03. Maturities and Amounts. The Series 2019D Bonds shall mature on the dates and in the amounts as set forth in the principal amortization schedule contained in the applicable Approval Certificate.

Section 2.04. Execution of Bonds. Each Series 2019D 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 2019D Bond had been manually signed by such officers, and the seal had been manually impressed on each Series 2019D Bond.

In case any officer whose signature is on a Series 2019D 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 2019D Bond shall nevertheless be valid.

Section 2.05. Temporary Bonds. Pending the preparation of definitive Series 2019D Bonds, the Board may execute and, upon the Board's request, the Paying Agent/Registrar shall authenticate and deliver, one or more temporary Series 2019D Bonds substantially of the tenor of the definitive Series 2019D 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 2019D Bonds, as such officers executing such temporary Series 2019D Bonds may determine.

Until exchanged for Series 2019D Bonds in definitive form, such Series 2019D 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 2019D Bonds to the Paying Agent/Registrar, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor, definitive Series 2019D Bonds of the same maturity, aggregate principal amount or maturity amount, as the case may be, and bearing or accruing interest at the same rate as the temporary Series 2019D Bonds surrendered. The exchange shall be made without any charge to any owner of Series 2019D 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 2019D 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 2019D 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 2019D Bond to which payments with respect to the Series 2019D 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 2019D Bonds, and to act as its agent to convert and exchange or replace Series 2019D 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 2019D Bonds, and of all conversions and exchanges of such Series 2019D Bonds, and all replacements of such Series 2019D 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 B**, 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 2019D Bond may be transferred on the Registration Books only upon presentation and surrender of such Series 2019D 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 2019D 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 2019D Bond or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Series 2019D Bond or any portion thereof, a new substitute Series 2019D Bond or Series 2019D 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 2019D Bonds in the manner prescribed herein is hereby imposed upon the Paying Agent/Registrar. Each Series 2019D Bond may be converted into and exchanged for fully registered Series 2019D Bonds in the manner set forth herein. Each Series 2019D Bond issued and delivered pursuant to this Resolution, to the extent of the unpaid or unredeemed principal amount or maturity amount thereof, as the case may be, upon surrender of such Series 2019D 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 2019D Bonds in the form prescribed in the FORM OF BOND of like series of subseries, in any Authorized Denomination (subject to the requirement hereinafter stated that

each substitute Series 2019D 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 or maturity amount, as the case may be, equal to the unpaid or unredeemed principal amount or maturity amount of any Series 2019D Bond or Series 2019D 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 2019D Bond shall be redeemed prior to its scheduled maturity as provided herein, a substitute Series 2019D Bond or Series 2019D Bonds having the same maturity date, of like series or subseries 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 or maturity amount, as the case may be, 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 2019D Bonds surrendered for conversion and exchange or replacement. If any Series 2019D Bond or portion thereof is assigned and transferred or converted, each Series 2019D Bond issued in exchange therefor shall have the same principal maturity date, be of like series or subseries and bear or accrue interest at the same rate, as the Series 2019D 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 2019D Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution and delivery of the substitute Series 2019D Bonds in the manner prescribed herein. All Series 2019D Bonds issued in conversion and exchange or replacement of any other Series 2019D Bond or portion thereof (i) shall be issued in fully registered form with the principal of and interest on such Series 2019D 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 2019D Bonds, shall have the characteristics, (vi) shall be signed and sealed, and (vii) the principal of and interest thereon shall be payable, all if and as provided with respect to the Series 2019D Bonds, and in the manner required or indicated, in ARTICLE II of this Resolution. Each substitute Series 2019D Bond shall bear a letter and/or number to distinguish it from each other Series 2019D Bond. Each fully registered Series 2019D Bond delivered in conversion of and exchange for or replacement of any Series 2019D Bond or portion thereof as permitted or required by any provision of this Resolution shall constitute one of the Series 2019D Bonds for all purposes of this Resolution, and may again be converted and exchanged or replaced.

(d) Authentication Certificate. On each substitute Series 2019D Bond issued in conversion of and exchange for or replacement of any Series 2019D Bond or Series 2019D 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 2019D Bond, date and manually sign the Authentication Certificate, and no such Series 2019D 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 2019D Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Initial Bonds which originally were 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 2019D

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 2019D Bonds and ending at the close of business on the day of such mailing or (ii) to transfer or exchange any Series 2019D 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 2019D Bonds, the Paying Agent/Registrar shall be required to transfer or exchange any such Series 2019D Bond which has been selected in whole or in part for redemption upon surrender thereof. In which event, the Paying Agent/Registrar may make such arrangements as it deems appropriate for notation on each new Series 2019D Bond issued in exchange for or upon transfer of the Series 2019D Bond so selected for redemption of an appropriate legend to the effect that such new Series 2019D Bond has been so selected for redemption.

(f) Payment of Fees. The registered owner of any Series 2019D 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 2019D 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 2019D 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 2019D 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 2019D 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 2019D Bonds, when due, and (ii) fees and charges of the Paying Agent/Registrar for services with respect to the transfer or registration of Series 2019D Bonds, and with respect to the conversion and exchange of Series 2019D Bonds solely to the extent above provided.

Section 2.08. Owners of Bonds. The Person in whose name any Series 2019D 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 2019D 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 2019D 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 2019D 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 2019D Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new Series 2019D Bond of the same principal amount or maturity amount, as the case may be, maturity date, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Series 2019D Bond, in replacement for such Series 2019D Bond in the manner hereinafter provided.

(b) Application for Replacement. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Series 2019D Bonds shall be made to the Paying Agent/Registrar. In every case of loss, theft or destruction of a Series 2019D Bond, the applicant for a replacement Series 2019D 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 2019D 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 2019D Bond, as the case may be. In every case of damage or mutilation of a Series 2019D Bond, the applicant shall surrender to the Paying Agent/Registrar for cancellation the Series 2019D Bond so damaged or mutilated.

(c) Payment in Lieu of Replacement. Notwithstanding the foregoing provisions of this Section, in the event any such Series 2019D 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 2019D Bond, the Board may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Series 2019D Bond) instead of issuing a replacement Series 2019D 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 2019D Bond, the Paying Agent/Registrar shall charge the owner of such Series 2019D Bond with all legal, printing, and other expenses in connection therewith. Every replacement Series 2019D Bond issued pursuant to the provisions of this Section by virtue of the fact that any Series 2019D Bond is lost, stolen or destroyed shall constitute a contractual obligation of the Board whether the lost, stolen, or destroyed Series 2019D 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 2019D 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 2019D Bond without necessity of further action by the Board of any other Person, and the duty of the replacement of such Series 2019D Bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Series 2019D Bonds in the form and manner and with the effect, as provided in Section 2.07 for Series 2019D Bonds issued in conversion and exchange for other Series 2019D Bonds.

Section 2.10. Successor Paying Agent/Registrars. The Board covenants with the registered owners of the Series 2019D Bonds that at all times while the Series 2019D 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 2019D 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 2019D 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 2019D 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 Bonds shall be delivered to the Underwriters against payment received therefrom on the Date of Delivery. The senior managing underwriter named in Section 11.01 hereof, acting as the representative for the Underwriters, shall be required to promptly surrender the Initial Bonds to the Paying Agent/Registrar for exchange. Series 2019D Bonds issued in exchange therefor shall be registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Series 2019D 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 2019D Bonds. Beneficial owners of Series 2019D Bonds will not receive physical delivery of Series 2019D Bond certificates except as provided hereinafter. For so long as DTC shall continue to serve as securities depository for the Series 2019D 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 2019D Bonds is to receive, hold or deliver any Series 2019D Bond certificate.

With respect to Series 2019D 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 2019D 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 2019D Bonds, (ii) the delivery to any DTC Participant or any other Person, other than a registered owner of the Series 2019D Bonds, as shown on the Registration Books, of any notice with respect to the Series 2019D 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 2019D Bonds, as shown in the Registration Books, of any amount with respect to principal of or premium, if any, or interest on the Series 2019D Bonds.

Replacement Series 2019D Bonds may be issued directly to beneficial owners of Series 2019D 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 2019D 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 2019D Bonds) that DTC is incapable of discharging its duties as securities depository for the Series 2019D Bonds; or (iii) the Board has determined (which determination is conclusive as to DTC and the beneficial owners of the Series 2019D Bonds) that the interests of the beneficial owners of the Series 2019D 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 2019D Bonds, in certificate form, to the beneficial owners of the Series 2019D 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 2019D Bonds of such determination by mailing an appropriate notice to DTC, it shall cause to be issued replacement Series 2019D Bonds in certificate form to beneficial owners of the Series 2019D Bonds as shown on the records of DTC provided to the Board.

Whenever, during the term of the Series 2019D Bonds, the beneficial ownership thereof is determined by a book entry at DTC, the requirements in this Resolution of holding, delivering or transferring Series 2019D 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 2019D 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 State Participation Bond shall be entitled to priority of payment over any other State Participation Bond in the application of any moneys made available by law for the payment thereof, irrespective of the fact that some of the State Participation Bonds may have been or may be delivered prior to the delivery of other State Participation Bonds, it being the intent of this Resolution that all State Participation Bonds shall rank equally on parity with each other.

ARTICLE III

INTEREST RATE ON VARIABLE RATE BONDS

Section 3.01. Initial Interest Rates; Subsequent Interest Rates. The Subseries 2019D-2 Bonds shall bear interest at the Initial Rate for the Initial Rate Period. At the end of the Initial Rate Period, the Subseries 2019D-2 Bonds shall be subject to mandatory tender, without right of retention by the Owner; provided, however, that a failure of the Remarketing Agent to remarket the Subseries 2019D-2 Bonds at the end of the Initial Rate Period, as further described in Section 4.04, shall result in the holders of the Subseries 2019D-2 Bonds retaining such Subseries 2019D-2 Bonds until the same are remarketed or redeemed pursuant to the applicable provisions of this Resolution. Thereafter, the Subseries 2019D-2 Bonds shall bear interest at the Term Rate determined in accordance with the provisions of Section 3.02, except that the interest period applicable to the Subseries 2019D-2 Bonds may be converted from the Initial Rate Period to a Term Rate Period of the same or different duration or to the Fixed Rate Period pursuant to Section 3.02 or Section 3.03, respectively. An Opinion of Bond Counsel is required prior to or in connection with a conversion from the Initial Rate Period to a Term Rate Period. Notwithstanding the foregoing, if the Remarketing Agent fails to remarket the Subseries 2019D-2 Bonds, resulting in the holders thereof retaining such Subseries 2019D-2 Bonds subsequent to the end of the Initial Rate Period, those Subseries 2019D-2 Bonds shall bear interest at the Stepped Rate for the duration of the Stepped Rate Period.

Section 3.02. Term Rates; Conversions among Term Rate Periods.

(a) **Determination by Remarketing Agent.** Subject to the further provisions of this ARTICLE III with respect to particular Term Rate or conversions between Term Rates, the Term Rate to be applicable to Subseries 2019D-2 Bonds during any Term Rate Period shall be determined by the Remarketing Agent. The Remarketing Agent shall determine the Term Rate in accordance with this section on the Rate Determination Date, and all Subseries 2019D-2 Bonds (other than Subseries 2019D-2 Bonds bearing interest at the Stepped Rate or any

Subseries 2019D-2 Bonds bearing interest at a Fixed Rate) shall be issued in the same Term Rate mode. The Term Rate so determined shall become effective on the first day of the next succeeding Term Rate Period.

(i) In each case, the Term Rate for the Term Rate Period in question shall be determined by the Remarketing Agent on the Rate Determination Date required pursuant to Section 3.02(b) below.

(ii) Each Term Rate determined by the Remarketing Agent shall be the lowest rate of interest which, in the judgment of the Remarketing Agent, would cause the Subseries 2019D-2 Bonds to have a market value not less than equal to the principal amount thereof, plus accrued interest, under prevailing market conditions as of the Rate Determination Date; provided, however, that any excess proceeds resultant from a pricing structure that produces a net reoffering premium shall (after applying a portion of such reoffering premium to the costs incurred by the Board in connection with such reoffering and conversion, if so desired by the Board) be used to reduce the principal amount of Subseries 2019D-2 Bonds that are outstanding after the Term Rate conversion (with the redemption dates and prices determined pursuant to Section 5.03 hereof), and make the Term Rate available to the Paying Agent/Registrar; provided, further, however, that in no event shall the Subseries 2019D-2 Bonds converted to Term Rate bear interest at a rate exceeding the Highest Rate.

(iii) All determinations of Term Rates pursuant to this Section shall be conclusive and binding, absent manifest, upon the Board, the Tender Agent, the Paying Agent/Registrar, and the Owners of the Subseries 2019D-2 Bonds to which such rates are applicable. The Board, the Tender Agent, the Paying Agent/Registrar and the Remarketing Agent shall not be liable to any Owners for failure to give any notice required above or for failure of any Owners to receive such notice.

(b) Manner of Term Rate Determination. A Term Rate shall be determined for each Term Rate Period as follows:

(i) Term Rate Periods shall (A) commence initially on the Term Rate Conversion Date and on the first day of a calendar month which is an integral multiple of twelve (12) calendar months thereafter; and (B) end on the last day preceding either the commencement date of the following Term Rate Period or the Conversion Date on which a different rate period shall become effective.

(ii) The Term Rate for each Term Rate Period shall be effective from and including the commencement date of such Period and remain in effect through and including the last day thereof. Each such Term Rate shall be determined for each Term Rate Period not later than 12:00 p.m., New York City time on the Rate Determination Date, which date shall be a day not more than the 35th day immediately preceding the commencement date of such Term Rate Period (as determined by the Board and the Remarketing Agent), and each such Term Rate shall be made available to the Paying Agent/Registrar and the Tender Agent by the Remarketing Agent by the close of business on its Rate Determination Date.

(iii) Notice of each Term Rate shall be given by the Paying Agent/Registrar by first-class mail to each Owner promptly after such Term Rate is determined.

(iv) At the expiration of the Initial Term Rate Period and any Term Rate Period into which the Subseries 2019D-2 Bonds have been remarketed, respectively, the Board shall be obligated to remarket the Subseries 2019D-2 Bonds pursuant to Section 3.02(c) hereof.

(v) If, at the expiration of the then-applicable Term Rate Period, there occurs a failed remarketing of the type described in Section 4.02(e) hereto, then all of the Outstanding Subseries 2019D-2 Bonds shall bear interest at the Stepped Rate for the duration of the Stepped Rate Period.

(c) Conversions between Term Rate Periods. At the option of the Board, and pursuant to an order of the Board, the Subseries 2019D-2 Bonds may be converted from the Initial Rate Period to one or more Term Rate Periods or from one Term Rate Period to another. In addition, such order of the Board shall identify the Remarketing Agent that will accomplish the remarketing of the Subseries 2019D-2 Bonds on the Board's behalf at the time of such conversion. The Board shall, in connection with the identification of the Remarketing Agent, authorize execution of a Remarketing Agreement therefor if no such agreement is then in place. To accomplish the proposed conversion, the Board shall give written notice of the proposed conversion together with a copy of the Opinion of Bond Counsel to the Remarketing Agent on the date that notice is required to be given pursuant to Section 3.02(c)(ii). The conversion shall be accomplished as follows:

(i) The Conversion Date of a conversion to a new Term Rate Period shall be an Interest Payment Date on which interest is payable for the Initial Rate Period or Term Rate Period, as applicable, from which the conversion is to be made.

(ii) The Board shall give written notice of any such conversion to the Paying Agent/Registrar, and the Tender Agent not less than forty-five (45) days prior to the proposed Conversion Date. Such notice shall specify the proposed Conversion Date and the Term Rate Period(s) to which the conversion will be made, and the number of years to be included within such Term Rate Period(s).

(iii) Not less than thirty (30) days prior to the Conversion Date, the Paying Agent/Registrar shall mail (by first-class mail) a written notice of the conversion to the Owners. Such notice shall:

(A) contain the information set forth in the notice from the Board pursuant to Section 3.02(c)(ii) above,

(B) set forth the dates by which the Remarketing Agent will determine and the Paying Agent/Registrar will notify the Owners of the Term Rate for the Term Rate Period commencing on the Term Rate Conversion Date pursuant to Section 3.02(c)(iv) below, and

(C) set forth the matters required to be stated pursuant to Section 4.02 with respect to purchases of such Subseries 2019D-2 Bonds governed by such Section.

(iv) The Term Rate for the Term Rate Period commencing on the Conversion Date shall be determined by the Remarketing Agent in the manner provided in Section 3.02(a) above on the date set forth in Section 3.02(b) above.

(v) Any conversion pursuant to this Section 3.02 shall be subject to the condition that on or before five (5) days prior to the date the Paying Agent/Registrar is required to give notice of the date of such conversion, the Board shall have delivered to the Paying Agent/Registrar and the Remarketing Agent an Opinion of Bond Counsel. If such Opinion of Bond Counsel is not delivered, the conversion shall not occur and the Subseries 2019D-2 Bonds shall not be converted but shall remain in the same Term Rate Period; provided, however, that such Subseries 2019D-2 Bonds shall be subject to mandatory tender as provided herein.

Section 3.03. Fixed Rate Conversion at Option of the Board. At the option of the Board, and pursuant to an order of the Board, Subseries 2019D-2 Bonds bearing interest at a Term Rate may be converted in whole or in part to a Fixed Rate to their maturity or prior redemption. In the event of a partial conversion pursuant to this Section, the Paying Agent/Registrar shall select by lot or other customary random method the Subseries 2019D-2 Bonds to be converted to a Fixed Rate in order to effectuate a pro rata allocation of the mandatory redemption schedule as set forth in Section 5.04 hereof between the Subseries 2019D-2 Bonds to be converted to a Fixed Rate and the Subseries 2019D-2 Bonds remaining in a Term Rate. Any such conversion shall be made as follows:

(a) The Fixed Rate Conversion Date shall be an Interest Payment Date on which a new Term Rate Period would otherwise have commenced pursuant to Section 3.02(b) hereof.

(b) (i) The Board shall give written notice of any such conversion to the Remarketing Agent, the Paying Agent/Registrar, and the Tender Agent not less than forty-five (45) days prior to the proposed Conversion Date. Such notice shall specify the Fixed Rate Conversion Date and the principal amount of Subseries 2019D-2 Bonds to be converted.

(ii) Not less than thirty (30) days prior to the Fixed Rate Conversion Date, the Paying Agent/Registrar shall mail (by first-class mail) a written notice of the conversion to the Owner of all Subseries 2019D-2 Bonds to be converted, specifying the Conversion Date and setting forth the matters required to be stated pursuant to Section 3.03(c).

(c) Notice of conversion shall be given by first-class mail by the Paying Agent/Registrar to (x) each nationally-recognized securities rating agency that has a then existing rating on the Subseries 2019D-2 Bonds and (y) the Owners of all Subseries 2019D-2 Bonds to be converted. Such notice shall inform the Owners of:

(i) the proposed Fixed Rate Conversion Date;

(ii) the dates by which the Remarketing Agent will determine and the Paying Agent/Registrar will notify the Owners of the Fixed Rate pursuant to Section 3.03(d) below;

(iii) the conditions to the conversion pursuant to Section 3.03(e) below; and

(iv) the matters required to be stated pursuant to Section 4.03 with respect to purchases of Subseries 2019D-2 Bonds governed by such Section.

(d) Not later than 12:00 p.m., New York City time, on the seventh (7th) Business Day prior to the Fixed Rate Conversion Date the Remarketing Agent shall, in consultation with and

subject to the approval of the Board, determine the Fixed Rate or Rates for the Subseries 2019D-2 Bonds which will cause the Subseries 2019D-2 Bonds to have a market value equal to not less than the principal amount thereof, provided that any excess proceeds resultant from a pricing structure that produces a net reoffering premium shall (after applying a portion of such reoffering premium to the costs incurred by the Board in connection with such reoffering and conversion, if so desired by the Board) be used to reduce the principal amount of Subseries 2019D-2 Bonds that are outstanding after the Fixed Rate conversion (with the redemption dates and prices determined pursuant to Section 5.03(c) hereof), and make the Fixed Rate or Rates available to the Paying Agent/Registrar; provided, however, in no event shall the Subseries 2019D-2 Bonds converted to Fixed Rate bear interest at a rate exceeding the Highest Rate. Such determination shall be conclusive and binding upon the Board, the Paying Agent/Registrar and the Owners of the Bond to which such Rate will be applicable. Promptly after the date of determination, the Paying Agent/Registrar shall give notice of such Fixed Rate or Rates by first-class mail to the Tender Agent, and the Owners (as of the Fixed Rate Conversion Date).

(e) Any conversion to a Fixed Rate pursuant to this Section 3.03 shall be subject to the following conditions:

(i) on or before the Fixed Rate Conversion Date, the Board shall have delivered to the Paying Agent/Registrar and the Remarketing Agent an Opinion of Bond Counsel; and

(ii) as of the Fixed Rate Conversion Date, sufficient funds shall be available to purchase Subseries 2019D-2 Bonds which are then required to be purchased pursuant to Section 4.04.

If the foregoing conditions are not met for any reason, the conversion shall not be effective, the Subseries 2019D-2 Bonds shall continue to bear interest at the last effective Term Rate or Stepped Rate, as applicable. The Paying Agent/Registrar shall promptly notify the Owners of such fact and shall give all additional notices and take all further actions required pursuant to Section 5.06.

(f) At its option, the Board also may determine the serial or term maturities, redemption provisions and other terms which shall be applicable to the pricing of the Subseries 2019D-2 Bonds on and after the Fixed Rate Conversion Date. Such option may be exercisable only on a Fixed Rate Conversion Date. Serial maturities shall be determined by the Board at the time of the conversion to a Fixed Rate. Following the Fixed Rate Conversion Date, the Subseries 2019D-2 Bonds shall be subject to optional redemption in whole or in part on such dates as shall be determined at the time of the conversion. If the Board so elects, the serial maturities or mandatory redemption provisions for the Subseries 2019D-2 Bonds converted to a Fixed Rate may be determined on the basis of providing similar relative principal and interest payments on such Subseries 2019D-2 Bonds, including the principal payment schedule set forth in Section 5.03 (after giving pro rata effect for any prior sinking fund redemptions of the Subseries 2019D-2 Bonds, if any, not then converted to a Fixed Rate). Also, if the Board exercises its option to change the redemption provisions and the serial maturity dates, then on or before the Fixed Rate Conversion Date on which such option is exercised, the Board shall, as a condition to the exercise of such option, deliver to the Paying Agent/Registrar an Opinion of Bond Counsel.

ARTICLE IV

TENDER AND PURCHASE OF BONDS

Section 4.01. No Optional Tender. The Series 2019D Bonds are not subject to optional tender by the Holders thereof. Any provision of this ARTICLE V, including, without limitation, any provisions relating to the method or selection of Series 2019D Bonds for redemption may be modified in an Approval Certificate.

Section 4.02. Mandatory Tender of the Subseries 2019D-2 Bonds Upon Term Rate Conversion.

(a) Conversions to Term Rate Periods. While the Board is obligated to remarket the Subseries 2019D-2 Bonds pursuant to Section 3.02(b)(iv), on any Term Rate Conversion Date pursuant to Section 3.02(c), the Subseries 2019D-2 Bonds shall be subject to mandatory tender on such date as follows:

(i) Subseries 2019D-2 Bonds to be converted from the Initial Rate Period to one or more Term Rate Periods or from a Term Rate Period to another Term Rate Period are subject to mandatory tender for purchase on the Term Rate Conversion Date at the Purchase Price; and

(ii) Owners of Subseries 2019D-2 Bonds shall not have the right to retain their Subseries 2019D-2 Bonds upon any such conversion.

(b) Notice to Owners. Any notice of a Term Rate Conversion Date given to Owners pursuant to Section 3.03(c)(iii), in addition to the requirements of such Section, shall state that the Subseries 2019D-2 Bonds to be converted are subject to mandatory tender for purchase on the Term Rate Conversion Date and the time at which the Subseries 2019D-2 Bonds are to be tendered for purchase.

(c) Remarketing. No later than 1:00 p.m., New York City time, on a Business Day which is at least fifteen (15) days prior to the Term Rate Conversion Date, the Tender Agent shall notify an Authorized Representative and the Remarketing Agent by telephone, facsimile, electronic mail transmission, or other similar communication, of the principal amount of Subseries 2019D-2 Bonds to be tendered for purchase on the Term Rate Conversion Date. Unless the Remarketing Agreement then in effect specifies that such remarketing shall constitute a firm financial arrangement with the Remarketing Agent, the Remarketing Agent shall offer for sale and use its best efforts to find purchasers for such Subseries 2019D-2 Bonds. The terms of any sale by the Remarketing Agent shall provide for the payment of the Purchase Price of tendered Subseries 2019D-2 Bonds to the Remarketing Agent in immediately available funds at or before 9:30 a.m., New York City time, on the Term Rate Conversion Date.

(d) Purchase of Tendered Subseries 2019D-2 Bonds.

(i) Notice. At or before 3:00 p.m., New York City time, on the Business Day immediately preceding the date fixed for purchase of tendered Subseries 2019D-2 Bonds, the Remarketing Agent shall give notice by telephone, facsimile, electronic mail transmission, or other similar communication to the Tender Agent of the principal amount of tendered Subseries 2019D-2 Bonds which were not remarketed. Not later than 4:00 p.m., New York City time, on the date of receipt of such notice the Tender

Agent shall give notice by telephone, facsimile, electronic mail transmission, or other similar communication to an Authorized Representative and the Paying Agent/Registrar specifying the principal amount of tendered Subseries 2019D-2 Bonds as to which the Remarketing Agent has not found a purchaser. No later than 10:30 a.m., New York City time, on the date fixed for purchase, the Remarketing Agent shall give notice to the Tender Agent by telephone (promptly confirmed in writing) of any change in the names, addresses, and taxpayer identification numbers of the purchaser, the Authorized Denominations of the Subseries 2019D-2 Bonds to be delivered to each purchaser and, if available, payment instructions for regularly scheduled interest payments.

(ii) Sources of Payment. At or before 10:30 a.m., New York City time, the Remarketing Agent shall cause to be paid to the Tender Agent for deposit in the "Texas Water Development Board Water Financial Assistance Remarketing Proceeds Payment Fund, Subseries 2019D-2" (the *Subseries 2019D-2 Payment Fund*) on the date fixed for purchase of the tendered Subseries 2019D-2 Bonds, all amounts representing proceeds of the remarketing of such Subseries 2019D-2 Bonds, such payments to be made in the manner and at the time specified in Section 4.02(c) above. If such amounts, plus all other amounts received by the Tender Agent for the purchase of tendered Subseries 2019D-2 Bonds, are not sufficient to pay the Purchase Price, the Tender Agent shall immediately notify an Authorized Representative of any deficiency no later than 11:00 a.m., New York City time, on such date; provided, however, in the event the date of purchase of the tendered Subseries 2019D-2 Bonds is an Interest Payment Date, payment of the accrued interest portion of the Purchase Price for the tendered Subseries 2019D-2 Bonds shall be the sole responsibility of the Board. The Board (if the Board is obligated to pay the interest portion of the Purchase Price) shall deliver to the Tender Agent immediately available funds in an amount at least equal to its portion of the Purchase Price agreed to be paid on the tender date of such unremarketed tendered Subseries 2019D-2 Bonds prior to 2:00 p.m., New York City time, on the date set for purchase of such tendered Subseries 2019D-2 Bonds. All money received by the Tender Agent as remarketing proceeds and additional amounts, if any, received from the Board to pay the Purchase Price of the tendered Subseries 2019D-2 Bonds shall be deposited by the Tender Agent in the Subseries 2019D-2 Payment Fund to be used solely for the payment of the Purchase Price of such tendered Subseries 2019D-2 Bonds and shall not be commingled with other funds held by the Tender Agent and shall remain uninvested.

(iii) Payments by the Tender Agent. At or before 2:30 p.m., New York City time, on the date set for purchase of tendered Subseries 2019D-2 Bonds and upon receipt by the Tender Agent of 100% of the aggregate Purchase Price of the tendered Subseries 2019D-2 Bonds, the Tender Agent shall pay the Purchase Price of such Subseries 2019D-2 Bonds to the Owners thereof at its designated office or by bank wire transfer. Such payments shall be made in immediately available funds. The Tender Agent shall apply in order (A) money paid to it by the Remarketing Agent as proceeds of the remarketing of such Subseries 2019D-2 Bonds by the Remarketing Agent and (B) money, if any, paid by the Board. If sufficient funds are not available for the purchase of all tendered Subseries 2019D-2 Bonds, no purchase shall be consummated, in which case the provisions of Section 4.02(e) shall apply.

(iv) Registration and Delivery of Tendered or Purchased Subseries 2019D-2 Bonds. On the purchase date, the Tender Agent shall register and deliver (or hold) or cancel all Subseries 2019D-2 Bonds purchased or remarketed by the Remarketing

Agent and deliver to the new registered owner in accordance with the instructions of the Remarketing Agent by 2:00 p.m., New York City time.

Notwithstanding anything to the contrary in the foregoing paragraph, for so long as the Subseries 2019D-2 Bonds are held in the Book-Entry-Only System of DTC in accordance with Section 2.11 hereof, any Bond remarketed by the Remarketing Agent shall be delivered to the new beneficial owner thereof by a transfer in the Book-Entry-Only System of DTC of such remarketed Bond to the applicable DTC Participant account for such beneficial owner.

(v) Delivery of Subseries 2019D-2 Bonds; Effect of Failure to Surrender Subseries 2019D-2 Bonds. All Subseries 2019D-2 Bonds to be purchased on any date shall be required to be delivered to the office of the Tender Agent at or before 5:00 p.m., New York City time, on the Business Day next preceding the purchase date (12:00 noon New York City time on the tender date for Subseries 2019D-2 Bonds held in book entry only system). If the Owner of any Bond (or portion thereof) that is subject to purchase pursuant to this Section fails to deliver such Bond to the Tender Agent for purchase on the purchase date, and if the Tender Agent is in receipt of the Purchase Price therefor, such Bond (or portion thereof) shall nevertheless be deemed purchased on the day fixed for purchase thereof and shall constitute an Undelivered Subseries 2019D-2 Bond. Ownership of Undelivered Subseries 2019D-2 Bonds (or portions thereof) shall be transferred to the purchaser thereof as provided in Section 4.02(d)(iv) above. Any Owner of Undelivered Subseries 2019D-2 Bonds shall have no further right thereunder except the right to receive the Purchase Price thereof upon presentation and surrender of said Bond to the Tender Agent. The Tender Agent shall, as to any Undelivered Subseries 2019D-2 Bonds, (A) promptly notify the Remarketing Agent of such nondelivery and (B) place a stop transfer against such Undelivered Subseries 2019D-2 Bonds.

(e) Failure to Remarket Tendered Subseries 2019D-2 Bonds. In the event that Subseries 2019D-2 Bonds in the Initial Rate Period or any Term Rate Period are not converted and remarketed to new purchasers on the applicable Conversion Date, the Board shall have no obligation to purchase the Subseries 2019D-2 Bonds tendered on such date, the failed conversion and remarketing shall not constitute an event of default under this Resolution or the Subseries 2019D-2 Bonds, the mandatory tender will be deemed to have been rescinded for that date with respect to the Subseries 2019D-2 Bonds, and such Subseries 2019D-2 Bonds (i) will continue to be Outstanding, (ii) will be purchased upon the availability of funds to be received from the subsequent remarketing of such Subseries 2019D-2 Bonds, (iii) will bear interest at the Stepped Rate during the Stepped Rate Period, (iv) will be subject to redemption and mandatory tender for purchase on any date during the Stepped Rate Period upon which a conversion occurs (which shall occur at the Board's discretion upon delivery of at least one day's notice to the Holders thereof), and (v) will be deemed to continue in the Initial Rate Period or a Term Rate Period, as applicable, for all other purposes of this Resolution, though bearing interest during such time at the Stepped Rate until remarketed or redeemed in accordance with the terms of this Resolution. In the event of a failed conversion and remarketing as described above, the Board will cause the Subseries 2019D-2 Bonds to be converted and remarketed on the earliest reasonably practicable date on which they can be sold at par, at a Term Rate not exceeding the Highest Rate. All other provisions of Section 4.02 shall apply to and govern Subseries 2019D-2 Bonds described in this Subsection (e) to the extent such terms are not in conflict with those included herein.

Section 4.03. Mandatory Tender Upon Fixed Rate Conversion. (a) Mandatory Tender Upon Conversion. Any Subseries 2019D-2 Bonds to be converted to a Fixed Rate pursuant to Section 3.03 shall be subject to mandatory tender for purchase on the Fixed Rate Conversion Date at the Purchase Price. The Owners shall not have the right to elect to retain their Subseries 2019D-2 Bonds.

(b) Notice to Owners. Any notice of conversion given to Owners pursuant to Section 3.03(c) shall, in addition to the requirements of such Section, state that Owners shall not have the right to waive mandatory tender and that Subseries 2019D-2 Bonds not delivered to the Tender Agent for purchase on the date specified in the notice shall be deemed tendered on such date and that after such date Owners will not be entitled to any payment (including interest to accrue subsequent to the required purchase date) other than the Purchase Price for such Undelivered Subseries 2019D-2 Bonds and such Undelivered Subseries 2019D-2 Bonds shall no longer be entitled to the benefits of this Resolution.

(c) Remarketing. Unless the Remarketing Agreement then in effect specifies that such remarketing shall constitute a firm financial arrangement with the Remarketing Agent, the Remarketing Agent shall offer for sale and use its best efforts to find purchasers for the Subseries 2019D-2 Bonds; provided that in no event shall the Remarketing Agent offer any such Bond for sale to any person unless the Remarketing Agent has advised such person of the fact that, after the Fixed Rate Conversion Date, the Bond will no longer be subject to tender at the option of the Owner. The terms of any sale by the Remarketing Agent shall provide for the payment of the Purchase Price to the Remarketing Agent of the tendered Subseries 2019D-2 Bonds in immediately available funds at or before 9:30 a.m., New York City time on the Fixed Rate Conversion Date.

(d) Purchase of Tendered Subseries 2019D-2 Bonds. The provisions of Section 4.02(d) shall apply to mandatory tenders pursuant to this Section 4.03.

Section 4.04. Mandatory Tender at End of Initial Rate Period. Notwithstanding any provisions of this Resolution to the contrary, the Subseries 2019D-2 Bonds issued hereunder shall be subject to mandatory tender on the Term Rate Conversion Date immediately following the end of the Initial Rate Period, without right of retention by the Owner, at the Purchase Price. Subseries 2019D-2 Bonds tendered pursuant to this Section 4.04 shall be delivered to the Remarketing Agent against payment therefor in accordance with the provisions of Section 4.02(d). In the event that such Subseries 2019D-2 Bonds are not converted and remarketed to new purchasers on the scheduled date of mandatory tender, the Board shall have no obligation to purchase the Subseries 2019D-2 Bonds tendered on such date, the failed conversion and remarketing shall not constitute an event of default under this Resolution or the Subseries 2019D-2 Bonds, the mandatory tender will be deemed to have been rescinded for that date with respect to all of the Subseries 2019D-2 Bonds then Outstanding, and such Subseries 2019D-2 Bonds (i) will continue to be Outstanding, (ii) will be purchased upon the availability of funds to be received from the subsequent remarketing of such Subseries 2019D-2 Bonds, (iii) will bear interest at the Stepped Rate during the Stepped Rate Period, (iv) will be subject to redemption and mandatory tender for purchase on any date during the Stepped Rate Period upon which a conversion occurs (which shall occur at the Board's discretion upon delivery of at least one day's notice to the holders thereof), and (v) will be deemed to continue in an Initial Rate Period for all other purposes of this Resolution, though bearing interest during such time at the Stepped Rate, until remarketed or redeemed in accordance with the terms of this Resolution. In the event of a failed conversion and remarketing as described above, the Board will cause the Subseries 2019D-2 Bonds to be converted and remarketed on the earliest reasonably

practicable date on which they can be sold at par, in such interest rate mode or modes as the Board directs, at a rate not exceeding the Highest Rate.

ARTICLE V

REDEMPTION OF BONDS BEFORE MATURITY

Section 5.01. Limitation on Redemption. Unless otherwise provided in the Approval Certificate, the Series 2019D Bonds shall be subject to redemption before scheduled maturity only as provided in this ARTICLE V.

Section 5.02. Optional and Mandatory Redemption for Subseries 2019D-1 Bonds. The Subseries 2019D-1 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 Subseries 2019D-1 Bonds as provided for in the Approval Certificate.

Section 5.03. Optional Redemption for Subseries 2019D-2 Bonds. (a) Prior to the Fixed Rate Conversion Date, Subseries 2019D-2 Bonds bearing interest at the Initial Rate during the Initial Rate Period and at a Term Rate during a Term Rate Period are subject to redemption, if at all, at the times, at the prices, and in the manner determined by the Board on a Term Rate Conversion Date (and as evidenced in an Approval Certificate); provided, however, that the Subseries 2019D-2 Bonds are callable, at the option of the Board, in whole or in part, at a redemption price equal to the principal amount thereof plus interest accrued thereon to the redemption date, on any Term Rate Conversion Date.

(b) Notwithstanding anything herein to the contrary, during the Initial Rate Period, the Subseries 2019D-2 Bonds may be redeemed, at the option of the Board, in whole or in part in Authorized Denominations on the date specified in the Approval Certificate, or on any date thereafter, at the redemption price of par, together with accrued interest to the date of redemption.

(c) Subseries 2019D-2 Bonds bearing interest at the Stepped Rate during the Stepped Rate Period are subject to redemption, in whole or in part, at the option of the Board, at a redemption price equal to the principal amount thereof plus interest accrued thereon at the Stepped Rate to the redemption date, on any date.

(d) Subseries 2019D-2 Bonds bearing interest at a Fixed Rate are subject to redemption at the option of the Board, in whole or in part, on the dates and at the prices determined and established by the Board on the Fixed Rate Conversion Date.

(e) The Board shall deliver notice to the Paying Agent/Registrar of its intention to redeem Subseries 2019D-2 Bonds, which notice shall specify the principal amount of the Subseries 2019D-2 Bonds to be redeemed (i) with respect to Subseries 2019D-2 Bonds bearing interest at a Stepped Rate, at least two (2) days prior to the redemption date and (ii) with respect to Subseries 2019D-2 Bonds bearing interest at a Term Rate or at Fixed Rates, at least forty-five (45) days prior to the redemption date (or such shorter period acceptable to the Paying Agent/Registrar).

(f) On or prior to the date established for optional redemption of any Subseries 2019D-2 Bonds, the Board shall have deposited an amount sufficient to pay the redemption price of the Subseries 2019D-2 Bonds to be redeemed with the Paying Agent/Registrar. Such money shall be invested, if at all, in Defeasance Securities.

Section 5.04. Scheduled Mandatory Redemption for Subseries 2019D-2. The Subseries 2019D-2 Bonds are subject to mandatory redemption from money on deposit in the Bond Payment Account at a price of par plus accrued interest to the date fixed for redemption, on August 1 in each of the years and in the amounts specified in the Approval Certificate.

The principal amount of Subseries 2019D-2 Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the Board, by the principal amount of any Subseries 2019D-2 Bonds which, at least 50 days prior to the mandatory redemption date (1) shall have been defeased or acquired by the Board and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Board with money in the Bond Fund, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

Section 5.05. Partial Redemption. (a) Subseries 2019D-2 Bonds redeemed in part shall be selected for redemption as described in the FORM OF BOND.

(b) A portion of a single Bond of a denomination greater than an Authorized Denomination may be redeemed but only in a principal amount equal to a minimum Authorized Denomination or any integral multiple thereof. The Paying Agent/Registrar shall treat each minimum Authorized Denomination of such Bond as though it were a single Bond for purposes of selection for redemption.

(c) Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver an exchange Bond or Subseries 2019D-2 Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Section 5.06. Notice of Redemption.

(a) The Paying Agent/Registrar shall record in the Registration Books all such redemptions of principal of the Series 2019D Bonds or any portion thereof. Notice of any redemption of the Series 2019D 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 2019D Bonds as set forth in the FORM OF BOND, the Paying Agent/Registrar shall give notice of redemption of the Series 2019D 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. In addition, in the event of a redemption caused by an advance refunding of the Series 2019D Bonds, the Paying Agent/Registrar shall send a second notice of redemption to the Persons specified in the immediately preceding sentence at least thirty (30) days but not more than ninety (90) days prior to the actual redemption date. 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 2019D Bonds who has not sent the Series 2019D 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 (i), 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 2019D Bond.

The Board reserves the right to give notice of its election to optionally redeem Series 2019D 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 2019D Bonds subject to conditional redemption where redemption has been rescinded shall not constitute an event of default and shall remain outstanding.

(c) Each redemption notice, whether required in the FORM OF BOND or otherwise by this Resolution, shall contain a description of the Series 2019D Bonds to be redeemed, including the complete name of the Series 2019D Bonds, the series, the date of issue, the interest rate, the maturity date, the CUSIP number, if any, the amounts called of each Series 2019D 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 2019D Bond may be redeemed including a contact person and telephone number.

(d) All redemption payments made by the Paying Agent/Registrar to the registered owners of the Series 2019D Bonds shall include a CUSIP number relating to each amount paid to such registered owner.

(e) Should notice to call Series 2019D 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 2019D Bonds so called for redemption, no Series 2019D Bond shall be redeemed on the date fixed for redemption, and the notice of redemption for such Series 2019D Bonds shall be null and void. Such occurrence shall not result in default of the Board's payment obligations on the Series 2019D Bonds as provided herein or in the Series 2019D Bonds.

Section 5.07. 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 5.08. Effect of Redemption. (a) Notice of redemption having been given, and due provision having been made for payment, the Subseries 2019D-2 Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption;

thereafter, such Subseries 2019D-2 Bonds or portions thereof shall cease to bear interest from the date fixed for redemption, whether or not such Subseries 2019D-2 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 same by the Board.

ARTICLE VI

FORM OF BONDS AND CERTIFICATES

Section 6.01. Form of Bond and Certificates. The form of all Series 2019D Bonds, including the form of the Authentication Certificate and the form of Assignment to be printed on each of the Series 2019D Bonds, and the form of registration certificate of the Comptroller that shall accompany the Initial Bonds, shall be substantially in the form as set forth in the FORM OF BOND, with such appropriate variations, omissions or insertions as are permitted or required by this Resolution or the applicable Approval Certificate. The Series 2019D 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 6.02. 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 2019D Bonds, in the form in which it is to be delivered upon payment for the Series 2019D Bonds, either will be printed on the reverse side of or otherwise attached to the Series 2019D Bonds or will be delivered to DTC if the Series 2019D Bonds are held in book-entry only form; and the use of the lithographed or printed facsimile signature of the Executive Administrator to certify to the correctness of such copy is hereby authorized.

Section 6.03. Printing of Statement of Insurance. The Board hereby authorizes the printer of the Series 2019D Bonds to print thereon any statement of insurance with respect to the Series 2019D Bonds furnished by any municipal bond insurance company insuring the Series 2019D Bonds.

ARTICLE VII

SECURITY AND PAYMENT OF BONDS; ESTABLISHMENT AND FLOW OF FUNDS

Section 7.01. General Obligations. The State Participation Bonds, including the Previously Issued State Participation Bonds and the Series 2019D Bonds, constitute general obligations of the State pursuant to Section 49-d-8, 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 State Participation 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 7.02. 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 7.03. Confirmation of Constitutional and Statutory Funds.

(a) Section 49-d-8 and Legislative Powers. All State Participation 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 State Participation 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) State Participation Account. Consistent with the Act and Section 49-d-8, the “Texas Water Development Fund II Water State Participation Account (the “**State Participation 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 State Participation Projects;
- (ii) payments received under a Bond Enhancement Agreement with respect to State Participation Bonds designated by the Board as issued for State Participation Projects;
- (iii) investment income earned on money on deposit in the State Participation Account; and
- (iv) any other funds, regardless of their source, that the Board directs be deposited to the credit of the State Participation Account.

Except for those moneys that the Board determines are unavailable for such purpose, moneys on deposit in the State Participation Account shall be used to pay principal and interest on the State Participation Bonds. The Board may use moneys on deposit in the State Participation Account for State Participation Projects in any manner that the Board determines necessary for the administration of the State Participation 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 State Participation Account may also be used for payment of the expenses of the Board incurred in connection with the issuance of the State Participation 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 State Participation 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 7.04 and 7.05, amounts sufficient to pay when due the principal of and premium, if any, and interest payable on the State Participation 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 State Participation Bonds.

Section 7.04. Flow of Funds For Debt Service.

(a) Transfers for Payments of Bonds. While and so long as any State Participation 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 State Participation 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 State Participation 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 or interest on such State Participation 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 State Participation Account for transfer to the Bond Payment Account, as described in subsection (a) of this Section 7.04, 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 shall 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, 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 or interest on such State Participation 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 State Participation Account may, at the direction of the Board, be used for all of the purposes for which the Board may expend moneys in the State Participation Account under Section 49-d-8.

(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 State Participation Account representing proceeds from a series of 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 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 2019D Bonds shall be deposited to the Bond Payment Account to the extent specified in the Applicable Approval Certificate.

Section 7.05. 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 State Participation Bonds, including 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 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 7.06. 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 resolutions authorizing the State Participation 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 State Participation Bonds (including the Designated Payment/Transfer Office of the Paying Agent/Registrar for the Series 2019D Bonds) to pay principal of and interest on all State Participation 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 State Participation Bonds, all in accordance with their respective authorizing resolutions. 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 State Participation Bonds for payment prior to maturity. Remittances to the place of payment for the State Participation Bonds (including the Paying Agent/Registrar for the Series 2019D Bonds) of money for payment of principal and interest or for redemption of State Participation Bonds must be made in accordance with the provisions hereof.

Section 7.07. 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 State Participation Bonds (including the Paying Agent/Registrar for the Series 2019D Bonds) for the payment of interest on and principal of the State Participation Bonds, and any premium thereon, becoming due on each interest or principal 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 State Participation Bonds. In addition, the Board covenants that such moneys shall be forwarded to the place of payment for the State Participation Bonds (including the Designated Payment/Transfer Office of the Paying Agent/Registrar for the Series 2019D 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 7.08. 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 in 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 State Participation Bonds (including the Designated Payment/Transfer Office of the Paying Agent/Registrar for the Series 2019D Bonds), or the place of payment for such payments, if any, to be made under any such Bond Enhancement Agreement.

Section 7.09. 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 State Participation 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.

ARTICLE VIII

REMARKETING AGENT; TENDER AGENT

Section 8.01. Appointment of Remarketing Agent Upon Conversion. Upon initial delivery of the Subseries 2019D-2 Bonds, the Board will not appoint a Remarketing Agent for such bonds. Prior to any conversion of Subseries 2019D-2 Bonds pursuant to Section 3.02(c) hereof, the Board shall appoint a Remarketing Agent and enter into a Remarketing Agreement with respect to such Subseries 2019D-2 Bonds and such conversion.

Section 8.02. Appointment of Initial Tender Agent. The Board hereby appoints the Paying Agent/Registrar as initial Tender Agent for the Subseries 2019D-2 Bonds. The Authorized Representative is hereby authorized and directed to execute and deliver the Tender Agent Agreement, in substantially the form attached hereto as **Exhibit D**, for and on behalf of the Board, and such Tender Agent Agreement, as executed by an Authorized Representative shall be deemed to be the Tender Agent Agreement herein approved and authorized to be executed and delivered for and on behalf of the Board. The Tender Agent shall signify its acceptance of the duties and obligations imposed on it hereunder by its execution of the Tender Agent Agreement.

Each Tender Agent shall be a commercial bank or trust company organized under the laws of the United States or any state, or other entity duly qualified and legally authorized to serve as and perform the duties and services of tender agent for the Subseries 2019D-2 Bonds.

Section 8.03. Maintaining Tender Agent and Remarketing Agent. (a) The Board shall maintain a Tender Agent as long as the Subseries 2019D-2 Bonds are outstanding but the Board shall not maintain a Remarketing Agent for the Subseries 2019D-2 Bonds during the Initial Rate Period. In the order adopted by the Board pursuant to Section 3.02(c) hereof in connection with any conversion of the Subseries 2019D-2 Bonds, the Board shall identify a Remarketing Agent with respect to such conversion, specify the terms of any such remarketing

and authorize the execution of a Remarketing Agreement evidencing the Remarketing Agent's agreement to serve in such capacity. No resignation or removal of the Remarketing Agent (if required to be maintained) or Tender Agent shall become effective until a successor has been appointed and accepted such appointment. Any successor Tender Agent shall have capital of not less than \$50,000,000.

(b) Promptly upon each change in the entity serving as Remarketing Agent or Tender Agent, the Board will cause notice of such change to be sent to each Owner by first-class mail.

ARTICLE IX

COVENANTS AND REMEDIES

Section 9.01. Special Covenant. The Board covenants that it will faithfully and promptly deposit into the State Participation Account all money received from the sale of obligations acquired from Political Subdivisions with moneys from the State Participation Account.

Section 9.02. 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 Bonds are first authenticated and delivered to the initial purchasers against payment therefor.

"Code" means the Internal Revenue Code of 1986, as amended by all legislation, if any, effective on or before the Closing Date.

"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 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 Bonds are invested and which is not acquired to carry out the governmental purposes of the Common Issue 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 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.

“Series 2019 Tax-Exempt Refunded Bonds” means the bonds refunded by the Common Issue Bonds.

“Yield” of

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

(ii) the Common Issue 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 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 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 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 Bonds (including property financed or refinanced with Gross Proceeds of the Series 2019 Tax-Exempt 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 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 Series 2019 Tax-Exempt 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 Bonds and shall take any action necessary to assure that Gross Proceeds of the Common Issue 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 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 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 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 Bonds, the proceeds of which were used to make or refinance the making of such loans. The Board shall assure that Political Subdivisions, or any related persons thereto, will be prohibited from purchasing the Common Issue 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 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 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 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 Bond is discharged. However, to the extent permitted by law, the Board may commingle Gross Proceeds of the Common Issue Bonds with other money of the Board, provided that the Board separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(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 Bonds until six years after the final Computation Date.

(3) As additional consideration for the purchase of the Common Issue Bonds by the purchasers thereof 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 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 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 Bonds not been relevant to either party.

(l) 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 Bonds, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document.

(m) Common Issue Bonds Not Hedge Bonds.

(1) At the time the original bonds refunded by the Common Issue Bonds were issued, the Board reasonably expected that at least 85% of the spendable proceeds of such bonds would be spent within three years after such bonds were issued.

(2) Not more than 50% of the proceeds of the original bonds refunded by the Common Issue Bonds were invested in Nonpurpose Investments having a substantially guaranteed Yield for a period of 4 years or more.

(n) Current Refunding. The Common Issue Bonds are being issued exclusively to pay and discharge in full the Series 2019 Tax-Exempt Refunded Bonds and such payment of the Series 2019 Tax-Exempt Refunded Bonds will occur within ninety (90) days after the issuance of the Common Issue Bonds.

Section 9.03. Creation of Accounts and Subaccounts. The Board covenants that it will maintain within the funds and accounts described in Section 7.03 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 9.04. Remedies of Bondholders. All rights available to the owners of the State Participation 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 State Participation Bonds may be paid promptly, are hereby recognized.

Section 9.05. 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 2019D Bonds, in whole or in part, on the interest rate, currency, cash flow, or other basis desired by the Board.

ARTICLE X

SUPPLEMENTS AND AMENDMENTS**Section 10.01. Amendment of Resolution with Consent of Registered Owners.**

(a) Amendments Requiring Consent. The registered owners of Series 2019D Bonds aggregating in principal amount 51% of the aggregate principal amount or maturity amount, as the case may be, of the Series 2019D Bonds at the time outstanding (but not including in any case Series 2019D 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 2019D Bonds so as to:

- (i) make any change in the maturity of any of the Series 2019D Bonds;
- (ii) reduce the rate of interest borne by any of the Series 2019D Bonds;
- (iii) reduce the principal amount or maturity amount, as applicable payable on any of the Series 2019D Bonds;
- (iv) modify the terms of payment of principal of or interest on or maturity amount, as the case may be, any Series 2019D Bond, or impose any conditions with respect to such payment;
- (v) change the minimum percentage of the principal amount or maturity amount of the Series 2019D Bonds necessary for consent to such amendment; or
- (vi) affect the rights of the registered owners of less than all of the Series 2019D Bonds then outstanding;

unless such amendment or amendments be approved by the registered owners of all of the Series 2019D 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 2019D 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 2019D 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 2019D 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 2019D 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 and maturity amount, as applicable, of the Series 2019D 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 2019D Bond shall be established by the registration of any such Series 2019D Bond on the Registration Books kept and maintained by the Paying Agent/Registrar.

Section 10.02. Amendment of Resolution Without Consent of Registered Owners.

(a) Amendments Not Requiring Consent. The foregoing provisions of this ARTICLE X notwithstanding, the Board may, without prior notice to or 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 State Participation 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 State Participation 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 9.02 and 12.04) 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 State Participation Bonds, to amend the provisions of ARTICLE VII 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; or

- (ii) the accounts within Development Fund II; or
- (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; or
- (iv) the use of the proceeds of the State Participation Bonds; or
- (v) the rights, duties and obligations of the Comptroller as specified in ARTICLE VII; or
- (vi) the procedure for payment of the State Participation 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 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 State Participation 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 or interest on the State Participation 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 State Participation 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 State Participation 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 State Participation 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 State Participation Bonds.

Section 10.03. 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 2019D Bonds shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such amendments.

Section 10.04. Bonds May Bear Notation. Series 2019D Bonds authenticated and delivered after the execution of any amendatory resolution pursuant to this ARTICLE X 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 2019D 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 2019D Bonds then outstanding.

ARTICLE XI

PROVISIONS CONCERNING SALE OF BONDS

Section 11.01. Issuance and Sale of Bonds.

(a) **Approval Certificate.** Each 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 or subseries of Series 2019D 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 2019D Bonds were the most advantageous to the Board reasonably obtained, and the sale of the Series 2019D Bonds is in the best interests of the Board.

(b) **Underwriters.** Wells Fargo Bank, National Association 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 2019D 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 State Participation Bonds previously issued by the Board to finance Water Assistance Projects. A Purchase Agreement shall contain the terms of the sale of the Series 2019D Bonds, as negotiated by the Authorized Representative in accordance with the terms hereof. Each Authorized Representative is hereby authorized and directed 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 2019D Bonds shall be delivered unless prior to delivery, the particular series or subseries of Series 2019D 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 2019D 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 2019D Bonds shall have the same force and effect as a finding or determination made by the Board.

Section 11.02. 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 2019D Bonds sold under the terms of such Purchase Agreement, such document to be in substantially the form utilized in connection with the sale of State Participation 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 11.03. Custody of Bonds. After the Initial Bonds have 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 Bonds to the Attorney General for examination and approval. After the Initial Bonds shall have been approved by the Attorney General they shall be delivered to the Comptroller for registration. The Initial Bonds 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 2019D Bonds to the Underwriters on the Date of Delivery.

Section 11.04. Use of Bond Proceeds. Proceeds from the sale of Series 2019D 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 applicable Approval Certificate signed by an Authorized Representative.

ARTICLE XII

CONTINUING DISCLOSURE UNDERTAKING**Section 12.01 Continuing Disclosure Undertaking of the Comptroller.**

(a) General. The Board and the legal and beneficial owners of the Series 2019D Bonds are third-party beneficiaries of the Continuing Disclosure Agreement. The Comptroller is required to observe the Continuing Disclosure Agreement in respect of any issue of "Securities," as defined in the Continuing Disclosure Agreement (which include the Series 2019D Bonds), for so long as the State remains an "obligated person" as defined in the Rule. Under the Continuing Disclosure 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 as described below.

(b) Annual Reports of the State. Pursuant to the Continuing Disclosure Agreement, the Comptroller will provide certain updated financial information and operating data to the MSRB annually. The Comptroller is not obligated to provide such financial and operating data more frequently than on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the State of the general type included in the Bond Appendix. The Comptroller will update and provide this information within 195 days after the end of each fiscal year of the State. The updated information provided by the Comptroller need 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.

(c) Event Notices of the Comptroller. Under the Continuing Disclosure Agreement, the Comptroller has also agreed to provide notice to the MSRB of any of the following events, with respect to the Series 2019D Bonds, in a timely manner and not more than ten (10) business days after occurrence of the event:

(i) incurrence of a Financial Obligation of the State, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the State, any of which affect security holders, if material; and

(ii) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the State, any of which reflect financial difficulties.

(d) Change in State Fiscal Year. The State's current fiscal year end is August 31. 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.

Section 12.02. Continuing Disclosure Undertaking of the Board.

(a) Annual Reports of the Board. The Board shall provide annually to the MSRB, within 195 days after the end of each Fiscal Year ending in or after 2019, financial information and operating data with respect to the Board and the State of the general type included in

Tables 1 and 2 and Appendix B the final Official Statement authorized by **Section 11.02**, being the information described in **Exhibit C** hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in **Exhibit C** 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.

(b) Event Notices of the Board. 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 2019D 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 2019D Bonds, or other material events affecting the tax status of the Series 2019D Bonds;
7. Modifications to rights of holders of the Series 2019D Bonds, if material;
8. Series 2019D Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Series 2019D 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 U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if jurisdiction has been assumed by leaving the Board and officials or officers of the Board in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board. 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 12.02(a) by the time required by such Section.

(c) **Change in Board Fiscal Year.** 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.

Section 12.03. Incorporation by Reference. 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 12.04. Limitations, Disclaimers, and Amendments. The Board shall be obligated to observe and perform the covenants specified in this ARTICLE for so long as, but only for so long as, the Board or the State remains an “obligated person” with respect to the Series 2019D Bonds within the meaning of the Rule, except that the Board in any event will give the notice required by Section 12.02(b) of any Series 2019D Bond calls and defeasance that cause the Board and the State to be no longer “obligated persons”.

The provisions of this ARTICLE are for the sole benefit of the holders and beneficial owners of the Series 2019D Bonds, and nothing in this ARTICLE, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other Person. The Board undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this ARTICLE and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Board’s or the State’s financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this ARTICLE or otherwise, except as expressly provided herein. The Board does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Series 2019D Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE BOARD BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY SERIES 2019D BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE BOARD, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY

SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

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

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

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

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

The provisions of this ARTICLE may be amended by the Board from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Board or the State, but only if (1) the provisions of this ARTICLE, as so amended, would have permitted an underwriter to purchase or sell Series 2019D Bonds in the primary offering of the Series 2019D 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 maturity amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding Series 2019D 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 2019D Bonds. If the Board so amends the provisions of this ARTICLE, it shall include with any amended financial information or operating data next provided in accordance with Section 12.02(a) 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 2019D Bonds in the primary offering of the Series 2019D Bonds.

ARTICLE XIII

DEFEASANCE

Section 13.01. Series 2019D Bonds Deemed Paid. Any Series 2019D 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 XIII, when payment of the principal of such Series 2019D Bond, plus interest thereon to the due date (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 2019D Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Series 2019D Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the State Participation 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 13.02. 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 2019D 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 13.01. 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 13.03. 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 13.04. Selection of Series 2019D Bonds for Defeasance. In the event that the Board elects to defease less than all of the principal amount of Series 2019D Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Series 2019D Bonds by such random method as it deems fair and appropriate and consistent with the terms of this Resolution.

ARTICLE XIV

MATTERS RELATING TO THE REFUNDED BONDS

Section 14.01. 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 produce a net present value savings and it provides additional program efficiency by giving the Board the flexibility to possibly repay its outstanding debt in the event of the early repayment of the underlying loans made by the Board from such Refunded Bonds proceeds. An Authorized Representative shall execute and deliver an Approval Certificate setting forth the amount of net present value savings realized as a result of the refunding of the Refunded Bonds with the Subseries 2019D-1 Bonds, evidencing that any minimum savings threshold established in Section 2.01(c) of this Resolution has been met. To the extent Subseries 2019D-2 Bonds are issued, they will be issued as variable rate obligations; and therefore, the Board hereby finds and determines that the manner in which any refunding associated with the issuance of the Subseries 2019D-2 Bonds does not make it practicable to make the determinations otherwise required by Texas Government Code, Section 1207.008(a)(2), as amended.

Section 14.02. Escrow Agreement.

The Escrow Agreement, in substantially the form attached to the Approval Certificate, is hereby approved by the Board, and the Executive Administrator or other Authorized Representative is hereby authorized to execute and deliver the same on behalf of the Board. The redemption, discharge and defeasance of the Refunded Bonds shall be effected pursuant to the terms and provisions of the Escrow Agreement in substantially the form approved by the Approval Certificate, the terms and provisions of which are hereby approved, subject to such insertions, additions and modifications as shall be necessary (a) to provide that the sufficiency of the Escrow Fund shall be certified as to mathematical accuracy in a sufficiency certificate or a report prepared by a nationally recognized firm acceptable to the Board, its financial advisors and the Escrow Agent with respect to the adequacy of the escrowed securities referred to in the Escrow Agreement to pay, when due, the principal of, interest on, and any call premium requirements on the Refunded Bonds, (b) to comply with all applicable laws and regulations relating to the refunding of the Refunded Bonds, (c) to carry out the other intents and purposes of this Resolution, and (d) to comply with the terms set forth in the Approval Certificate.

Section 14.03. Purchase of United States Treasury Obligations.

In order to assure the purchase of any escrowed securities to be held pursuant to the Escrow Agreement, the Executive Administrator or other Authorized Representative is hereby authorized to make necessary arrangements for the subscription and purchase of, such obligations of the United States of America, or other securities or investments as may be permitted under State law and applicable federal tax law, in such amounts, maturities, and bearing interest at such rates as may be provided for in the sufficiency certificate or report referred to in Section 14.02, and the Executive Administrator or other Authorized Representative is authorized, either prior to Closing or after the date thereof, to execute any and all subscriptions, purchase contracts, forward purchase contracts, commitments, letters of authorization, and other documents necessary or desirable, in the judgment of the Executive Administrator or other Authorized Representative, to effect the foregoing, and any actions heretofore taken by the Executive Administrator or other Authorized Representative for such purpose are hereby ratified and approved.

Section 14.04. Redemption of Refunded Bonds. Upon issuance of the Series 2019D Bonds, the Refunded Bonds identified in the Approval Certificate to be redeemed are hereby declared to be called for redemption on the redemption date or dates identified in the Approval Certificate, consistent with the provisions set forth in the respective proceedings authorizing their issuance with respect to the redemption of bonds at the option of the Board. In connection with the prior redemption of any of the Refunded Bonds as may be provided for in the Approval Certificate, the Authorized Representative is hereby directed to coordinate with the Escrow Agent to give notice of such redemption, in substantially the form attached to the Approval Certificate, in accordance with the applicable terms of the resolution that authorized such series of 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 escrowed to maturity or prior redemption.

Section 14.05. Escrow Fund.

The Board hereby establishes the Escrow Fund to be maintained by the Escrow Agent for application as provided in the Escrow Agreement. The Escrow Fund is hereby established and shall be created and maintained by the Escrow Agent for application as provided in the Escrow Agreement.

Section 14.06. Transfer of Funds.

The Board shall allocate remaining money in each of the interest and sinking funds and/or project funds for each series of Refunded Bonds to the series or subseries of Series 2019D Bonds which refund such bonds and transfer such funds to the applicable Interest and Sinking Fund or the applicable escrow account within the Escrow Fund as may be determined by the Board pursuant to federal income tax law requirements.

ARTICLE XV

MISCELLANEOUS PROVISIONS

Section 15.01. Further Procedures. The Chairman, the Executive Administrator, the Development Fund Manager, the General Counsel, 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 2019D Bonds. In addition, prior to the initial delivery of the Series 2019D Bonds, the Chairman, the Executive Administrator, the 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 2019D 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 15.02. 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 15.03. Prior Actions. All actions taken by the Board authorizing the issuance of the Series 2019D 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 15.04. Perfection of Security Interest in Pledge. Chapter 1208 applies to the issuance of the Series 2019D 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 2019D 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 2019D 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.

[Remainder of Page Intentionally Left Blank]

ADOPTED AND APPROVED this the 23rd day of April, 2019.

Peter M. Lake, Chairman
Texas Water Development Board

ATTEST:

Jeff Walker, Executive Administrator
Texas Water Development Board

(SEAL)

SCHEDULE I

LIST OF REFUNDABLE BONDS

State of Texas Water Financial Assistance Bonds Refunding Bonds, Series 2009D
(State Participation Program)

State of Texas Water Financial Assistance Bonds, Series 2010C
(State Participation Program)

LIST OF EXHIBITS

Exhibit A-1	Form of Fixed Rate Bond
Exhibit A-2	Form of Variable Rate Bond
Exhibit B	Paying Agent/Registrar Agreement
Exhibit C	Description of Annual Financial Information of the Board
Exhibit D	Tender Agent Agreement

EXHIBIT A-1

FORM OF FIXED RATE BOND:

NO. _____

\$ _____

UNITED STATES OF AMERICA
 STATE OF TEXAS
 WATER FINANCIAL ASSISTANCE REFUNDING BOND
 SUBSERIES 2019D-1

<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>DATED DATE</u>	<u>CUSIP</u>
	%	_____, 2019	

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, 20[20], 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 August 1, 20[19], such interest is payable semiannually on each February 1 and August 1 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 Subseries 2019D-1 Bonds when due.

Interest on the Subseries 2019D-1 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 Subseries 2019D-1 Bonds is determined only by a book entry at a securities depository for the Subseries 2019D-1 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 _____ (\$ _____) (the "Subseries 2019D-1 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") 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 refunding the Refunded Bonds, and to pay expenses arising in connection with the issuance of the Subseries 2019D-1 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 Subseries 2019D-1 Bonds through the execution of one or more Approval Certificates (the Bond Resolution and applicable 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 SUBSERIES 2019D-1 BONDS are not subject to redemption at the option of the Board prior to maturity.

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 Subseries 2019D-1 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 Subseries 2019D-1 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 Subseries 2019D-1 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 Subseries 2019D-1 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 Subseries 2019D-1 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 or Section 49-d-9 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 (as defined in the Resolution) 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.

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 Comptroller of Public Accounts of the State of Texas.

**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)
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 Subseries 2019D-1 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 REFUNDING BOND
SUBSERIES 2019D-1

Bond Date:
_____, 2019

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, 20[20], and each February 1 and August 1 thereafter, until maturity. Principal installments of this Subseries 2019D-1 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 "Security Register" 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 Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. 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.

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 Subseries 2019D-2 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.

THIS SUBSERIES 2019D-2 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 Subseries 2019D-2 Bond specified above, aggregating _____ Dollars (\$ _____) (the "Subseries 2019D-2 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") 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 refunding the Refunded Bonds, and to pay expenses arising in connection with the issuance of the Subseries 2019D-2 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 Subseries 2019D-2 Bonds through the execution of one or more Approval Certificates (the Bond Resolution and applicable 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..

This Subseries 2019D-2 Bond shall not be valid or obligatory for any purpose unless it is registered by the Comptroller of Public Accounts of Texas by certificate affixed or attached hereto or authenticated by the Paying Agent/Registrar by due execution of the Authentication Certificate provided herein.

Even though initially issued and from time to time Outstanding in a Variable Rate (defined herein) mode, the Subseries 2019D-2 Bonds are not benefited by a third-party liquidity and are not subject to optional tender by the Holders thereof.

INTEREST PROVISIONS

This Subseries 2019D-2 Bond bears interest at an Initial Rate or a Term Rate (each a "Variable Rate") or a Fixed Rate.

This Subseries 2019D-2 Bond initially shall bear interest at the Initial Rate per annum from the Date of Delivery stated above through _____ (the "Initial Rate Period"). The Subseries 2019D-2 Bonds shall be subject to mandatory tender, without right of retention by the owners thereof, on _____ and shall be tendered to the Remarketing Agent against payment therefor. Thereafter, this Subseries 2019D-2 Bond shall bear interest at a Term Rate until converted to a Fixed Rate Period during which it shall bear interest at a Fixed Rate.

The rate of interest applicable to any Initial Rate Period or Term Rate Period shall be determined in accordance with the applicable provisions of the Resolution and, with respect to

Term Rate Periods, pursuant to the terms of the Remarketing Agreement between the Board and the Remarketing Agent named by the Board from time to time under the Resolution (the "Remarketing Agent").

Interest on the Subseries 2019D-2 Bonds shall be computed on the basis of a 360-day year of twelve 30-day months.

The Subseries 2019D-2 Bonds may bear interest from time to time, at the Initial Rate or at Term Rates established in accordance with the Resolution. While the Subseries 2019D-2 Bonds bear interest at a Term Rate, the interest rate determined will remain in effect for a term of one year or any whole multiple of one year selected in accordance with the Resolution. At the option of the Board, the Subseries 2019D-2 Bonds bearing interest at a Variable Rate may be converted in whole or in part to bear interest at a Fixed Rate or Fixed Rates to the Maturity Date.

An interest rate mode will remain in effect until changed. During each Term Rate Period, and unless otherwise established by the Board, the rate of interest on the Subseries 2019D-2 Bonds shall be that rate which, in the determination of the Remarketing Agent, if borne by the Subseries 2019D-2 Bonds on the date of such determination under prevailing market conditions, would result in the market value of the Subseries 2019D-2 Bonds being equal to not less than 100% of the principal amount thereof. If the Remarketing Agent is unable, or fails, to determine the Term Rate, the Term Rate shall remain that in effect for the then current Term Rate Period. The provisions of this Subseries 2019D-2 Bond, including, but not limited to this paragraph, are limited in all respects to those provisions of the Resolution which limit the interest rate on the Subseries 2019D-2 Bonds to the Highest Rate.

Subseries 2019D-2 Bonds Rate will be issued in denominations of \$5,000 and integral multiples thereof.

WRITTEN NOTICE OF RATE MODE CHANGE

While the Subseries 2019D-2 Bonds bear interest at a Variable Rate, the Paying Agent/Registrar shall give notice to the registered owners of the conversion from one interest rate mode to another at the times described in the Resolution. ANY REGISTERED OWNER OF BONDS WHO MAY BE UNABLE TO TAKE TIMELY ACTION ON ANY NOTICE SHOULD CONSIDER WHETHER TO MAKE ARRANGEMENTS FOR ANOTHER PERSON TO ACT IN HIS OR HER STEAD. If a new interest rate mode for the Subseries 2019D-2 Bonds is not selected in a timely fashion in accordance with the Resolution, the interest rate mode then in effect will continue until changed by timely notice.

MANDATORY TENDER

While this Subseries 2019D-2 Bond bears interest at a Variable Rate, this Subseries 2019D-2 Bond is subject to mandatory tender for purchase by the Tender Agent, at a Purchase Price equal to the principal amount hereof plus accrued interest hereon to the date of purchase, on the effective date of a change from one interest rate mode to a different interest rate mode.

The Subseries 2019D-2 Bonds are subject to mandatory tender for purchase, without the right of Owners to retain Subseries 2019D-2 Bonds, on the date specified in a notice to Owners, (i) on _____, which is the next business day immediately following the

end of the Initial Rate Period, (ii) on each subsequent Term Rate Conversion Date and (iii) on the day preceding the Fixed Rate Conversion Date.

FAILED REMARKETING

Initial Rate Period. In the event that this Subseries 2019D-2 Bond bears interest at an Initial Rate and it is not converted and remarketed to new purchasers on the scheduled date of mandatory tender, the Board shall have no obligation to purchase this Subseries 2019D-2 Bond tendered on such date, the failed conversion and remarketing shall not constitute an event of default under the Resolution or this Subseries 2019D-2 Bond, the mandatory tender will be deemed to have been rescinded for that date with respect to this Subseries 2019D-2 Bond, and this Subseries 2019D-2 Bond (i) will continue to be Outstanding, (ii) will be purchased upon the availability of funds to be received from the subsequent remarketing of this Subseries 2019D-2 Bond, (iii) will bear interest at the Stepped Rate during the Stepped Rate Period, (iv) will be subject to redemption and mandatory tender for purchase on any date during the Stepped Rate Period upon which a conversion occurs (which shall occur at the Board's discretion upon delivery of at least one day's notice to the holder hereof), and (v) will be deemed to continue in an Initial Rate Period for all other purposes of the Resolution, though bearing interest during such time at the Stepped Rate, until remarketed or redeemed in accordance with the terms of the Resolution. In the event of a failed conversion and remarketing as described above, the Board will cause this Subseries 2019D-2 Bond to be converted and remarketed on the earliest reasonably practical date on which it can be sold at par, in such interest rate mode or modes as the Board directs, at a rate not exceeding the Highest Rate.

Term Rate Periods. If this Subseries 2019D-2 Bond is subject to mandatory tender on the Term Rate Conversion Date because of conversion to a new Term Rate Period from an existing Term Rate Period, and this Subseries 2019D-2 Bond is not converted and remarketed to new purchasers on the scheduled date of mandatory tender because of a failed remarketing, then the Board shall have no obligation to purchase this Subseries 2019D-2 Bond tendered on such date, the failed conversion and remarketing shall not constitute an event of default under the Resolution or this Subseries 2019D-2 Bond, the mandatory tender will be deemed to have been rescinded for that date with respect to this Subseries 2019D-2 Bond, and this Subseries 2019D-2 Bond (i) will continue to be Outstanding, (ii) will be purchased upon the availability of funds to be received from the subsequent remarketing of this Subseries 2019D-2 Bond, (iii) will bear interest at the Stepped Rate during the Stepped Rate Period, (iv) will be subject to redemption and mandatory tender for purchase on any date during the Stepped Rate Period upon which a conversion occurs (which shall occur at the Board's discretion upon delivery of at least one day's notice to the holders thereof), and (v) will be deemed to continue in a Term Rate Period for all other purposes of this Resolution, though bearing interest during such time at the Stepped Rate until remarketed or redeemed in accordance with the terms of this Resolution. In the event of a failed conversion and remarketing as described above, the Board will cause this Subseries 2019D-2 Bond to be converted and remarketed on the earliest reasonably practical date on which it can be sold at par, in such interest rate mode or modes as the Board directs, at a rate not exceeding the Highest Rate.

UNDELIVERED BONDS

Subseries 2019D-2 Bonds which are required to be tendered by the Owners thereof for purchase by the Tender Agent but which are not in fact delivered for purchase on the date and at the time required and for which there has been deposited an amount sufficient to pay the Purchase Price thereof, shall cease to accrue interest on the tender date, and the Owner

thereof shall not be entitled to any payment other than the Purchase Price for such Bond. Such Bond shall no longer be Outstanding and entitled to the benefits of the Resolution, except for the payment of the Purchase Price from money held by the Tender Agent for such payment. On the tender date, the Tender Agent shall authenticate and deliver substitute Subseries 2019D-2 Bonds in lieu of such Undelivered Subseries 2019D-2 Bonds.

REDEMPTION PROVISIONS

Optional Redemption. The Subseries 2019D-2 Bonds shall be subject to redemption prior to maturity, at the option of the Board, in whole or in part, in Authorized Denominations, on _____, or on any date thereafter and on any date the Subseries 2019D-2 Bonds bear interest at a Stepped Rate, at the redemption price of par plus accrued interest to the date of redemption.

Subseries 2019D-2 Bonds bearing interest at a Stepped Rate are subject to redemption, in whole or in part, at the option of the Board, on any date at a redemption price equal to the principal amount thereof plus interest accrued thereon at the Stepped Rate to the redemption date.

The Board shall deliver notice to the Paying Agent/Registrar of its intention to redeem Subseries 2019D-2 Bonds, which notice shall specify the principal amount of the Subseries 2019D-2 Bonds to be redeemed (i) with respect to Subseries 2019D-2 Bonds bearing interest at a Stepped Rate, at least two (2) days prior to the redemption date and (ii) with respect to Subseries 2019D-2 Bonds bearing interest at a Term Rate or at Fixed Rates, at least forty-five (45) days prior to the redemption date (or such shorter period acceptable to the Paying Agent/Registrar).

Scheduled Mandatory Redemption. The Subseries 2019D-2 Bonds are subject to mandatory sinking fund redemption by the Board prior to their scheduled maturity (but not during the Initial Rate Period) at a redemption price of par plus accrued interest to the date fixed for redemption, on August 1 in each of the years and in the principal amounts indicated below:

Subseries 2019D-2 Bonds

<u>Year (August 1)</u>	<u>Amount (\$)</u>	<u>Year (August 1)</u>	<u>Amount (\$)</u>
------------------------	--------------------	------------------------	--------------------

The principal amount of Subseries 2019D-2 Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the Board, by the principal amount of any Subseries 2019D-2 Bonds which, at least 50 days prior to the mandatory redemption date (1) shall have been acquired by the Board at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions set forth in above and not theretofor credited against a mandatory redemption requirement.

Notice of optional and scheduled mandatory redemption shall be given by first-class mail, postage prepaid, (i) with respect to Subseries 2019D-2 Bonds bearing interest at a Stepped Rate, at least 1 day prior to the redemption date and (ii) with respect to Subseries 2019D-2 Bonds bearing interest at a Term Rate or Fixed Rate, at least thirty (30) days before the date fixed for redemption, to the Owner of each Bond to be redeemed in whole or in part. Notice having been so given, the Subseries 2019D-2 Bonds or portions thereof designated for redemption shall become due and payable on the redemption date specified in such notice; from and after such date, notwithstanding that any of the Subseries 2019D-2 Bonds or portions thereof so called for redemption shall not have been surrendered for payment, interest on such Subseries 2019D-2 Bonds or portions thereof shall cease to accrue.

GENERAL PROVISIONS

As provided in the Resolution, and subject to certain limitations therein set forth, this Subseries 2019D-2 Bond is transferable upon surrender of this Subseries 2019D-2 Bond for transfer at the designated office of the Paying Agent/Registrar with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar; thereupon, one or more new fully registered Subseries 2019D-2 Bonds of the same stated maturity and interest rate mode, of Authorized Denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

DELIVERY OF NOTICES AND BONDS

Any Subseries 2019D-2 Bonds required to be delivered to the Tender Agent for purchase, and any notices required to be delivered to the Tender Agent hereunder shall be delivered to: The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

Subseries 2019D-2 Bonds required to be tendered for purchase shall be delivered to the Tender Agent prior to 5:00 p.m. on the Business Day next preceding the date of purchase.

The Board will identify the Remarketing Agent for the Subseries 2019D-2 Bonds in the order authorizing any conversion following the Initial Rate Period.

THIS SUBSERIES 2019D-2 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 Bonds, upon the terms and conditions set forth in the Resolution. Among other requirements for such assignment and transfer, this Subseries 2019D-2 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 Subseries 2019D-2 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 Subseries 2019D-2 Bond, shall be delivered by the Paying Agent/Registrar in conversion of and exchange for this Subseries 2019D-2 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 Subseries 2019D-2 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 Subseries 2019D-2 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 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 Subseries 2019D-2 Bond is determined by a book entry at a securities depository for the Bonds, the foregoing requirements of holding, delivering or transferring this Subseries 2019D-2 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 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 Bonds.

BY BECOMING the registered owner of this Subseries 2019D-2 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 Subseries 2019D-2 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 Subseries 2019D-2 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 Subseries 2019D-2 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 Subseries 2019D-2 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 or Section 49-d-9 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 (as defined in the Resolution) 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 Subseries 2019D-2 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 Subseries 2019D-2 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.

[The remainder of this page intentionally left blank.]

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 Subseries 2019D-2 Bond has been issued under the provisions of the Resolution described on the face of this Subseries 2019D-2 Bond; and that this Subseries 2019D-2 Bond has been issued in conversion of and exchange for or replacement of a Bond, Bonds or a portion of a Bond or Bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, 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)
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)

EXHIBIT B
PAYING AGENT/REGISTRAR AGREEMENT

See Attached

EXHIBIT C

**DESCRIPTION OF ANNUAL FINANCIAL INFORMATION
OF THE BOARD**

The following information is referred to in Section 12.02 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 the quantitative financial information and operating data pertaining to the Board included in Tables 1 and 2 of the Official Statement and in Appendix B to the Official Statement relating to the Bonds.

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 D
TENDER AGENT AGREEMENT

See Attached

**BOND RESOLUTION
OF THE
TEXAS WATER DEVELOPMENT BOARD
AUTHORIZING THE ISSUANCE OF
STATE OF TEXAS WATER FINANCIAL ASSISTANCE
REFUNDING BONDS, SERIES 2019E
(WATER INFRASTRUCTURE FUND)
AND SUCH OTHER SUBSERIES
AS MAY BE DESIGNATED PURSUANT TO THE TERMS HEREOF**

**ADOPTED:
APRIL 23, 2019**

TABLE OF CONTENTS**Page****ARTICLE I
DEFINITIONS AND INTERPRETATIONS**

Section 1.01.	Definitions.....	2
Section 1.02.	Rules of Construction	10
Section 1.03.	Interpretations.....	10

**ARTICLE II
THE SERIES 2019E BONDS**

Section 2.01.	Authorization of Bonds	11
Section 2.02.	Denominations, Date and Interest Rates.....	12
Section 2.03.	Maturities and Amounts.....	13
Section 2.04.	Execution of Bonds.....	13
Section 2.05.	Temporary Bonds	13
Section 2.06.	Appointment and Duties of Paying Agent/Registrar	13
Section 2.07.	Registration, Transfer and Exchange of Bonds.....	14
Section 2.08.	Owners of Bonds	16
Section 2.09.	Damaged, Mutilated, Lost, Stolen or Destroyed Bonds.....	16
Section 2.10.	Successor Paying Agent/Registrars	17
Section 2.11.	Book-Entry Only System	18
Section 2.12.	All Bonds On Parity	19

**ARTICLE III
INTEREST RATE ON VARIABLE RATE BONDS**

Section 3.01.	Initial Interest Rates; Subsequent Interest Rates	19
Section 3.02.	Term Rates; Conversions among Term Rate Periods.....	19
Section 3.03.	Fixed Rate Conversion at Option of the Board.....	22

**ARTICLE IV
TENDER AND PURCHASE OF BONDS**

Section 4.01.	No Optional Tender	24
Section 4.02.	Mandatory Tender of the Subseries 2019E-2 Bonds Upon Term Rate Conversion	24
Section 4.03.	Mandatory Tender Upon Fixed Rate Conversion	26
Section 4.04.	Mandatory Tender at End of Initial Rate Period	27

**ARTICLE V
REDEMPTION OF BONDS BEFORE MATURITY**

Section 5.01.	Limitation on Redemption.....	28
Section 5.02.	Optional and Mandatory Redemption for Subseries 2019E-1 Bonds.....	28
Section 5.03.	Optional Redemption for Subseries 2019E-2 Bonds.....	28
Section 5.04.	Scheduled Mandatory Redemption for Subseries 2019E-2	29
Section 5.05.	Partial Redemption	29
Section 5.06.	Notice of Redemption	29
Section 5.07.	Payment Upon Redemption	30
Section 5.08.	Effect of Redemption	30

**ARTICLE VI
FORM OF BONDS AND CERTIFICATES**

Section 6.01.	Form of Bond and Certificates	31
Section 6.02.	Opinion of Bond Counsel.....	31
Section 6.03.	Printing of Statement of Insurance	31

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

Section 7.01.	General Obligations	31
Section 7.02.	Confirmation of Texas Water Development Fund II	31
Section 7.03.	Confirmation of Constitutional and Statutory Funds	32
Section 7.04.	Flow of Funds For Debt Service	34
Section 7.05.	Constitutional Provisions for Debt Payment	35
Section 7.06.	Deposit and Transfer of Funds - Duties of Comptroller	35
Section 7.07.	Payment of Bonds	35
Section 7.08.	Cooperation with State Officers.....	36
Section 7.09.	Investment of Funds	36

**ARTICLE VIII
REMARKETING AGENT; TENDER AGENT**

Section 8.01.	Appointment of Remarketing Agent Upon Conversion	36
Section 8.02.	Appointment of Initial Tender Agent	36
Section 8.03.	Maintaining Tender Agent and Remarketing Agent.....	36

**ARTICLE IX
COVENANTS AND REMEDIES**

Section 9.01.	Special Covenant	37
Section 9.02.	Covenants to Maintain Tax-Exempt Status	37
Section 9.03.	Creation of Accounts and Subaccounts	41
Section 9.04.	Remedies of Bondholders	41
Section 9.05.	Bond Enhancement Agreements.....	41

**ARTICLE X
SUPPLEMENTS AND AMENDMENTS**

Section 10.01.	Amendment of Resolution with Consent of Registered Owners.....	42
Section 10.02.	Amendment of Resolution Without Consent of Registered Owners	43
Section 10.03.	Effect of Amendatory Resolutions	45
Section 10.04.	Bonds May Bear Notation.....	45

**ARTICLE XI
PROVISIONS CONCERNING SALE OF BONDS**

Section 11.01.	Issuance and Sale of Bonds.....	45
Section 11.02.	Official Statement	46
Section 11.03.	Custody of Bonds	46
Section 11.04.	Use of Bond Proceeds.....	46

**ARTICLE XII
CONTINUING DISCLOSURE UNDERTAKING**

Section 12.01	Continuing Disclosure Undertaking of the Comptroller	47
Section 12.02.	Continuing Disclosure Undertaking of the Board.....	47
Section 12.03.	Incorporation by Reference	49
Section 12.04.	Limitations, Disclaimers, and Amendments.....	49

**ARTICLE XIII
DEFEASANCE**

Section 13.01.	Series 2019E Bonds Deemed Paid	50
Section 13.02.	Investment in Defeasance Securities	51
Section 13.03.	Paying Agent/Registrar Services.....	51
Section 13.04.	Selection of Series 2019E Bonds for Defeasance.....	51

**ARTICLE XIV
MATTERS RELATING TO THE REFUNDED BONDS**

Section 14.01.	Purpose for Refunding.....	52
Section 14.02.	Escrow Agreement	52
Section 14.03.	Purchase of United States Treasury Obligations.....	52
Section 14.04.	Redemption of Refunded Bonds	53
Section 14.05.	Escrow Fund.....	53
Section 14.06.	Transfer of Funds	53

**ARTICLE XV
MISCELLANEOUS PROVISIONS**

Section 15.01.	Further Procedures.....	53
Section 15.02.	Open Meeting; Notice.....	54
Section 15.03.	Prior Actions	54
Section 15.04.	Perfection of Security Interest in Pledge	54
SCHEDULE I	List of Refundable Bonds	I-1
Exhibit A-1	Form of Fixed Rate Bond:	A-1-1
Exhibit A-2	Form of Variable Rate Bond.....	A-2-1
Exhibit B	Paying Agent/Registrar Agreement.....	B-1
Exhibit C	Description of Annual Financial Information of the Board	C-1
Exhibit D	Tender Agent Agreement	D-1

RESOLUTION

**OF THE TEXAS WATER DEVELOPMENT BOARD AUTHORIZING THE
ISSUANCE OF STATE OF TEXAS WATER FINANCIAL ASSISTANCE
REFUNDING BONDS, SERIES 2019E (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, in furtherance of the purposes set forth in Section 49-d-8, Section 49-d-9 of Article III of the State Constitution ("**Section 49-d-9**"), 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 State as described in "**SCHEDULE I**" attached to this Resolution and incorporated herein by reference (collectively referred to as the "**Refundable Bonds**"); and

WHEREAS, in addition to bonds authorized by other provisions of the State Constitution, 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 of the State, 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 under Section 49-d-11 that are outstanding at any time does not exceed \$6,000,000,000; and

WHEREAS, Section 49-d-11 states 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 aggregate principal amount of previously authorized bonds 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, since the Refundable Bonds were not originally authorized by Section 49-d-11, bonds issued to refund such bonds would not count against the authorization established by Section 49-d-11; and

WHEREAS, current market conditions are favorable to achieve some level of debt service savings and to achieve greater program efficiency to accommodate prepayments made by underlying borrowers in the Board's loan programs if the Board were to refund some or all of the Refundable Bonds; and

WHEREAS, a portion of the bonds issued hereunder to refund the Refundable Bonds may be issued as variable rate obligations; and therefore, the Board hereby finds and determines that the manner in which the refunding associated with such portion of variable rate refunding bonds does not make it practicable to make the determinations otherwise required by Texas Government Code, Section 1207.008(a)(2), as amended; and

WHEREAS, the Board finds it advisable and determines that it is a public purpose and in the best interests of the State, in accordance with authority granted by Section 49-d-8, Section 49-d-9, and the Act, to authorize the refunding of all or a portion of the Refundable Bonds in accordance with Chapter 1207 and Chapter 1371 (hereinafter defined), subject to the parameters set forth in this Resolution, as hereinafter provided; 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 A** to this Resolution), in addition to the terms defined in the preamble 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 executed by an Authorized Representative in accordance with the terms hereof which finalize the pricing and terms of the Series 2019E Bonds pursuant to the parameters set forth in this Resolution, including specifying the issuance of 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 or maturity amount, as the case may be, and any integral multiple thereof.

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

“Board” means the Texas Water Development Board.

“Bond Appendix” means the quarterly appendix prepared by the Comptroller 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.

“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 7.03.

“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 2019E 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 the Series 2019E Bonds, which are part of the same “issue,” as defined in section 1.150-1(c) of the Regulations, as the Series 2019E Bonds.

“Comptroller” means the Comptroller of Public Accounts of the State.

“Continuing Disclosure Agreement” means the Amended and Restated Continuing Disclosure Agreement dated March 12, 2019, between the Comptroller and the Texas Bond Review Board, as may be further amended from time to time.

“Conversion Date” shall mean: (a) with respect to the Fixed Rate Period, the Fixed Rate Conversion Date and (b) with respect to the Term Rate Period, the Term Rate Conversion Date, as applicable.

“Date of Delivery” means the date of delivery of the Series 2019E Bonds to the Underwriters.

“Dated Date” shall mean the date designated in the Approval Certificate as such with respect to the Series 2019E 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 2019E 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 2019E 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 2019E 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 2019E Bonds, initially, the corporate trust office of the Paying Agent/Registrar in Dallas, Texas.

“Development Fund I” means the Texas Water Development Fund as described in the Development Fund I Constitution Provisions..

“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 Agent” means the Bank of New York Mellon Trust Company, N.A., as escrow agent under the Escrow Agreement and any successor thereto as therein permitted.

“Escrow Agreement” means an escrow agreement, deposit agreement, escrow instructions or other comparable document (including any amendments thereto) between the

Board and the Escrow Agent providing for the payment of the Refunded Bonds, in substantially the form approved by the Approval Certificate.

“Escrow Fund” means each escrow fund created with respect to the Refunded Bonds pursuant to the Escrow Agreement.

“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.

“Financial Assistance 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 2019E Bonds.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of any such debt obligation or any such derivative instrument; provided that “Financial Obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The Board and the Comptroller intend the words used in this definition to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

“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.

“Fixed Rate” shall mean the per annum rate or rates of interest the Subseries 2019E-2 Bonds shall bear during the Fixed Rate Period.

“Fixed Rate Conversion Date” shall mean the date on which the Subseries 2019E-2 Bonds begin to bear interest at the Fixed Rate pursuant to Section 3.03, which Fixed Rate Conversion Date shall be an Interest Payment Date on which a new Term Rate Period would otherwise have commenced.

“Fixed Rate Period” shall mean the period beginning on the Fixed Rate Conversion Date and ending at the stated maturity or maturities of the Subseries 2019E-2 Bonds, during which the Subseries 2019E-2 Bonds bear interest at one or more Fixed Rates.

“Form of Bond” shall mean the Form of Fixed Rate Bond and Form of Variable Rate Bond, as applicable, attached hereto as **Exhibit A-1** and **Exhibit A-2**, respectively.

“GASB” means the Governmental Accounting Standards Board.

“Highest Rate” shall mean with respect to the Subseries 2019E-2 Bonds, the lesser of (a) 7.5% per annum or (b) the maximum net effective interest rate permitted by law to be paid thereon as provided by Texas Government Code, Section 1204.006, as amended, or the maximum net effective interest rate permitted by applicable law at the time of issuance of the

Subseries 2019E-2 Bonds or (c) the rate specified in the Approval Certificate as the “Highest Rate.”

“**Holder**” or “**Owner**” shall mean the person who is the registered owner of a Series 2019E Bond or subseries thereof, as shown on the Registration Books.

“**Initial Bonds**” means the Series 2019E 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.

“**Initial Rate**” shall mean the initial interest rate or rates the Subseries 2019E-2 Bonds shall bear for the Initial Rate Period as designated in the Approval Certificate for the Subseries 2019E-2 Bonds.

“**Initial Rate Period**” shall mean the period commencing on the Date of Delivery and ending on the date specified in the Approval Certificate for the Subseries 2019E-2 Bonds, during which period the Subseries 2019E-2 Bonds bear interest at the Initial Rate.

“**Interest Payment Date**” shall mean: (a) with respect to the Subseries 2019E-1 Bonds, each February 1 and August 1, beginning on the first such date occurring after the Date of Delivery; (b) with respect to the Subseries 2019E-2 Bonds bearing interest at the Initial Rate, the dates specified in the Approval Certificate as Interest Payment Dates for the Initial Rate Period; (c) with respect to the Subseries 2019E-2 Bonds bearing interest at the Term Rate, the first day of the sixth calendar month following the month in which the Term Rate Conversion Date occurs and the first day of each sixth month thereafter; and (d) with respect to the Subseries 2019E-2 Bonds bearing interest at the Fixed Rate, each February 1 and August 1, beginning on the first such date occurring after the Fixed Rate Conversion Date.

“**Interest Period**” shall mean (a) with respect to the Subseries 2019E-1 Bonds, (i) the period from and including the Date of Delivery to next Interest Payment Date (but excluding such date) and (ii) thereafter, the period from and including any Interest Payment Date to and including the day immediately preceding the next following Interest Payment Date; and (b) with respect to Subseries 2019E-2 Bonds, (i) the period from and including the Date of Delivery to the next Interest Payment Date (but excluding such date) and (ii) thereafter the period from and including any Interest Payment Date to and including the day immediately preceding the next following Interest Payment Date.

“**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 Financial Assistance 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.

“Official Statement” means the Official Statement pertaining to the Series 2019E Bonds, and authorized by Section 11.02 hereof.

“Opinion of Bond Counsel” shall mean an opinion of nationally recognized bond counsel, to the effect that the conversion of the interest rate on the Subseries 2019E-2 Bonds in accordance with the terms of this Resolution will not have an adverse effect on the exclusion from federal income tax of the interest on the Common Issue Bonds and is in compliance with State law.

“Owner” or **“Holder”** shall mean the person who is the registered owner of a Series 2019E Bond or subseries thereof, as shown on the Registration Books.

“Outstanding” shall mean when used to modify the bonds issued, authenticated and delivered under this Resolution, the Series 2019E Bonds excluding (i) Series 2019E Bonds which have been exchanged or replaced or otherwise surrendered for cancellation, (ii) Series 2019E Bonds which have been paid, (iii) Series 2019E Bonds which have become due and for the payment of which money has been duly provided, (iv) Subseries 2019E-2 Bonds deemed tendered for purchase and not delivered to the Tender Agent on the applicable purchase date, provided sufficient funds for payment of the Purchase Price are on deposit with the Tender Agent, and (v) Series 2019E Bonds with respect to which this Resolution has been discharged pursuant to ARTICLE XIII.

“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 2019E 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.

“Purchase Agreement” means collectively one or more bond purchase agreements between the Board and the Underwriters relating to the sale of the Series 2019E Bonds.

“Purchase Price” shall mean, with respect to each Subseries 2019E-2 Bond (or any portion thereof) tendered for purchase pursuant to ARTICLE IV hereof, the par amount thereof, plus accrued but unpaid interest thereon to the date of purchase; provided, however, that in no event shall the amount of interest paid as part of the Purchase Price of any tendered Bond

exceed an amount equal to the interest which would have accrued on such tendered Bond for a period of 187 days at a rate of 15% per annum and a 365/366 day year.

“Rate Determination Date” shall mean the date when the Remarketing Agent determines the rate of interest to be borne by the Subseries 2019E-2 Bonds pursuant to Section 3.02(b).

“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 2019E 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 9.02.

“Remarketing Agent” shall mean the party selected from time to time by the Board to serve as the remarketing agent for the Subseries 2019E-2 Bonds while the Subseries 2019E-2 Bonds are Outstanding in a Term Rate Period or Stepped Rate Period.

“Remarketing Agreement” shall mean any Remarketing Agreement between the Board and the Remarketing Agent, pertaining to the Subseries 2019E-2 Bonds.

“Resolution” means this Resolution authorizing the issuance of the Series 2019E Bonds and all amendments hereto.

“Rule” means SEC Rule 15c2-12, as amended from time to time.

“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” means Section 49-d-8 of Article III of the State Constitution.

“Section 49-d-9” means Section 49-d-9 of Article III of the State Constitution.

“Section 49-d-10” means Section 49-d-10 of Article III of the State Constitution.

“Section 49-d-11” means Section 49-d-11 of Article III of the State Constitution.

“Series 2019E Bonds” means the State of Texas Water Financial Assistance Refunding Bonds, Series 2019E (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, including any subseries.

“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.

“Stepped Rate” shall mean, initially, the rate specified in the Approval Certificate as the Stepped Rate and thereafter, the interest rate applicable to the Subseries 2019E-2 Bonds during a Stepped Rate Period as determined by the Remarketing Agent at the time of remarketing of the Subseries 2019E-2 Bonds into the then-applicable Term Rate Period that will immediately precede the Stepped Rate Period (if any); provided, however, that the Stepped Rate shall never exceed the Highest Rate.

“Stepped Rate Period” shall mean the period of time commencing on the mandatory tender date described in Section 4.02(e) and Section 4.04 and continuing through a subsequent remarketing or redemption of the Subseries 2019E-2 Bonds.

“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.

“Subseries 2019E-1 Bonds” shall mean that portion of the Series 2019E Bonds designated and issued as fixed rate bonds as specified in the Approval Certificate.

“Subseries 2019E-2 Bonds” shall mean that portion of the Series 2019E Bonds designated and issued as variable rate bonds as specified in the Approval Certificate.

“Subseries 2019E-2 Payment Fund” shall mean the fund described in Section 4.02(d)(ii) hereof.

“Tender Agent” shall mean, initially, the Paying Agent/Registrar, or any successor thereto.

“Tender Agent Agreement” shall mean the Tender Agent Agreement, between the Board and the Tender Agent, pertaining to the Subseries 2019E-2 Bonds or any similar agreement entered into from time to time with any successor Tender Agent with respect to such bonds.

“Term Bonds” means Series 2019E Bonds so designated by the Board herein or in the Approval Certificate.

“Term Rate” shall mean the interest rate to be determined for the Subseries 2019E-2 Bonds of a term of one or more years pursuant to Section 3.02(b).

“Term Rate Conversion Date” shall mean the day the Subseries 2019E-2 Bonds first bear interest at a Term Rate pursuant to Section 3.02(b) and thereafter an Interest Payment

Date on which interest is payable for the Term Rate Period from which the conversion is to be made.

“Term Rate Period” shall mean each period during which the Subseries 2019E-2 Bonds bear interest at a Term Rate.

“Undelivered Subseries 2019E-2 Bonds” shall mean Subseries 2019E-2 Bonds which are required to be delivered to the Tender Agent pursuant to the terms of this Resolution and which are not in fact delivered.

“Underwriters” means the investment banking firms that contract to purchase the Series 2019E Bonds pursuant to the Purchase Agreement and in accordance with Section 11.01.

“Water Assistance Project” 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 7.03(e) of this Resolution.

“Water Infrastructure Fund Bonds” means the Series 2019E 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 the FORM OF BOND refer to the form attached to this Resolution as Exhibit A.

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.

ARTICLE II

THE SERIES 2019E BONDS

Section 2.01. Authorization of Bonds.

(a) Purpose; Maximum Amount. For the purposes set forth in Section 49-d-8 and Section 49-d-9, the negotiable general obligation bonds of the State to be known and designated as **STATE OF TEXAS WATER FINANCIAL ASSISTANCE REFUNDING BONDS, SERIES 2019E (WATER INFRASTRUCTURE FUND)**, are hereby authorized and may be issued for the purpose of conserving and developing the water resources of the State, to-wit, by providing funds for the refunding of the Refunded Bonds, and paying expenses arising in connection with the issuance of the Series 2019E Bonds. The combined principal amount of all series or subseries of Common Issue Bonds shall not exceed \$250,000,000.

(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 or subseries, the Series 2019E Bonds and carrying out the procedures specified in this Resolution, including determining:

(i) the date for issuance and sale, and the Dated Date, of each series or subseries of Series 2019E 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 2019E Bonds, *provided, however*, that (x) to the extent any of the Series 2019E Bonds are issued as fixed rate bonds, such bonds shall be designated as Subseries 2019E-1 Bonds; and (y) to the extent any of the Series 2019E Bonds are issued as variable rate bonds, such bonds shall be designated as Subseries 2019E-2 Bonds;

(iv) the principal amount of each series or subseries of Series 2019E 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 a series or subseries of Series 2019E Bonds;

(v) the price at which the Series 2019E Bonds shall be sold;

(vi) the principal amount of Series 2019E Bonds to be sold as current interest bonds, if any; the principal amount of Series 2019E Bonds to be sold as premium capital appreciation bonds, if any; and the principal amount of Series 2019E Bonds to be sold as variable rate bonds, if any;

(vii) the principal amortization schedule for the Series 2019E Bonds (including, without limitation, the designation of any of the maturities of the Series 2019E 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) the length of the Initial Rate Period or Initial Rate Periods (as the same relates to any Subseries 2019E-2 Bonds), and the Stepped Rate applicable to any Subseries 2019E-2 Bonds;

(ix) in accordance with the provisions of ARTICLE V hereof, the redemption features of the Series 2019E Bonds;

(x) the rate or rates of interest to be borne by the Series 2019E Bonds;

(xi) whether to acquire a Bond Enhancement Agreement in support of all or any portion of the Series 2019E Bonds; and

(xii) any other matters relating to the issuance, sale and delivery of the Series 2019E 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 for Refunding. The Authorized Representative may exercise any authority granted under Chapter 1207 or Chapter 1371 to effect the refunding of any or all of the bonds included in the definition of Refundable Bonds to be refunded, so long as on the date the Purchase Agreement is executed:

(i) the net present value savings, realized as a result of refunding a portion of the principal amount of the Refunded Bonds by the Subseries 2019E-1 Bonds is not less than two percent (2.00%);

(ii) the maximum maturity of the Series 2019E Bonds issued hereunder shall not exceed the maximum maturity date of the Refunded Bonds being refunded by such series;

(iii) the duration of any Initial Rate Period applicable to any series of Series 2019E Bonds shall not exceed four (4) years;

(iv) subject to the limitation specified in Section 2.01(a) above with respect to all Common Issue Bonds, the maximum par amount of the Series 2019E Bonds, aggregating all related subseries, shall not exceed the maximum par amount of the Refunded Bonds being refunded by the Series 2019E Bonds;

(v) the interest rate or rates (i.e. coupon) and Stepped Rate, respectively, applicable to any series or subseries of Series 2019E Bonds during (or after, as the case may be) the Initial Rate Period shall not exceed 7.5%; and

(vi) the final series or subseries of Series 2019E Bonds issued hereunder must be sold no later than April 22, 2020 (though the closing of a particular series of Series 2019E Bonds sold in accordance with this provision may occur after such date as 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 2019E 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** with such changes and modifications as are set forth in the Approval Certificate. Interest on the Series 2019E Bonds shall be payable on the Interest Payment Dates. The Series 2019E Bonds shall bear interest at either fixed or variable 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 2019E Bonds sold to the Underwriters.

Section 2.03. Maturities and Amounts. The Series 2019E Bonds shall mature on the dates and in the amounts as set forth in the principal amortization schedule contained in the applicable Approval Certificate.

Section 2.04. Execution of Bonds. Each Series 2019E 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 2019E Bond had been manually signed by such officers, and the seal had been manually impressed on each Series 2019E Bond.

In case any officer whose signature is on a Series 2019E 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 2019E Bond shall nevertheless be valid.

Section 2.05. Temporary Bonds. Pending the preparation of definitive Series 2019E Bonds, the Board may execute and, upon the Board's request, the Paying Agent/Registrar shall authenticate and deliver, one or more temporary Series 2019E Bonds substantially of the tenor of the definitive Series 2019E 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 2019E Bonds, as such officers executing such temporary Series 2019E Bonds may determine.

Until exchanged for Series 2019E Bonds in definitive form, such Series 2019E 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 2019E Bonds to the Paying Agent/Registrar, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor, definitive Series 2019E Bonds of the same maturity, aggregate principal amount or maturity amount, as the case may be, and bearing or accruing interest at the same rate as the temporary Series 2019E Bonds surrendered. The exchange shall be made without any charge to any owner of Series 2019E 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 2019E 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 2019E 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 2019E Bond to which payments with respect to the Series 2019E 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 2019E Bonds, and to act as its agent to convert and exchange or replace Series 2019E 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 2019E Bonds, and of all conversions and exchanges of such Series 2019E Bonds, and all replacements of such Series 2019E 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 B**, 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 2019E Bond may be transferred on the Registration Books only upon presentation and surrender of such Series 2019E 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 2019E 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 2019E Bond or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Series 2019E Bond or any portion thereof, a new substitute Series 2019E Bond or Series 2019E 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 2019E Bonds in the manner prescribed herein is hereby imposed upon the Paying Agent/Registrar. Each Series 2019E Bond may be converted into and exchanged for fully registered Series 2019E Bonds in the manner set forth herein. Each Series 2019E Bond issued and delivered pursuant to this Resolution, to the extent of the unpaid or unredeemed principal amount or maturity amount thereof, as the case may be, upon surrender of such Series 2019E 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 2019E Bonds in the form prescribed in the FORM OF BOND of like series of subseries, in any Authorized Denomination (subject to the requirement hereinafter stated that

each substitute Series 2019E 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 or maturity amount, as the case may be, equal to the unpaid or unredeemed principal amount or maturity amount of any Series 2019E Bond or Series 2019E 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 2019E Bond shall be redeemed prior to its scheduled maturity as provided herein, a substitute Series 2019E Bond or Series 2019E Bonds having the same maturity date, of like series or subseries 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 or maturity amount, as the case may be, 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 2019E Bonds surrendered for conversion and exchange or replacement. If any Series 2019E Bond or portion thereof is assigned and transferred or converted, each Series 2019E Bond issued in exchange therefor shall have the same principal maturity date, be of like series or subseries and bear or accrue interest at the same rate, as the Series 2019E 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 2019E Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution and delivery of the substitute Series 2019E Bonds in the manner prescribed herein. All Series 2019E Bonds issued in conversion and exchange or replacement of any other Series 2019E Bond or portion thereof (i) shall be issued in fully registered form with the principal of and interest on such Series 2019E 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 2019E Bonds, shall have the characteristics, (vi) shall be signed and sealed, and (vii) the principal of and interest thereon shall be payable, all if and as provided with respect to the Series 2019E Bonds, and in the manner required or indicated, in ARTICLE II of this Resolution. Each substitute Series 2019E Bond shall bear a letter and/or number to distinguish it from each other Series 2019E Bond. Each fully registered Series 2019E Bond delivered in conversion of and exchange for or replacement of any Series 2019E Bond or portion thereof as permitted or required by any provision of this Resolution shall constitute one of the Series 2019E Bonds for all purposes of this Resolution, and may again be converted and exchanged or replaced.

(d) Authentication Certificate. On each substitute Series 2019E Bond issued in conversion of and exchange for or replacement of any Series 2019E Bond or Series 2019E 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 2019E Bond, date and manually sign the Authentication Certificate, and no such Series 2019E 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 2019E Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Initial Bonds which originally were 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 2019E

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 2019E Bonds and ending at the close of business on the day of such mailing or (ii) to transfer or exchange any Series 2019E 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 2019E Bonds, the Paying Agent/Registrar shall be required to transfer or exchange any such Series 2019E Bond which has been selected in whole or in part for redemption upon surrender thereof. In which event, the Paying Agent/Registrar may make such arrangements as it deems appropriate for notation on each new Series 2019E Bond issued in exchange for or upon transfer of the Series 2019E Bond so selected for redemption of an appropriate legend to the effect that such new Series 2019E Bond has been so selected for redemption.

(f) Payment of Fees. The registered owner of any Series 2019E 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 2019E 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 2019E 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 2019E 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 2019E 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 2019E Bonds, when due, and (ii) fees and charges of the Paying Agent/Registrar for services with respect to the transfer or registration of Series 2019E Bonds, and with respect to the conversion and exchange of Series 2019E Bonds solely to the extent above provided.

Section 2.08. Owners of Bonds. The Person in whose name any Series 2019E 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 2019E 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 2019E 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 2019E 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 2019E Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new Series 2019E Bond of the same principal amount or maturity amount, as the case may be, maturity date, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Series 2019E Bond, in replacement for such Series 2019E Bond in the manner hereinafter provided.

(b) Application for Replacement. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Series 2019E Bonds shall be made to the Paying Agent/Registrar. In every case of loss, theft or destruction of a Series 2019E Bond, the applicant for a replacement Series 2019E 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 2019E 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 2019E Bond, as the case may be. In every case of damage or mutilation of a Series 2019E Bond, the applicant shall surrender to the Paying Agent/Registrar for cancellation the Series 2019E Bond so damaged or mutilated.

(c) Payment in Lieu of Replacement. Notwithstanding the foregoing provisions of this Section, in the event any such Series 2019E 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 2019E Bond, the Board may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Series 2019E Bond) instead of issuing a replacement Series 2019E 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 2019E Bond, the Paying Agent/Registrar shall charge the owner of such Series 2019E Bond with all legal, printing, and other expenses in connection therewith. Every replacement Series 2019E Bond issued pursuant to the provisions of this Section by virtue of the fact that any Series 2019E Bond is lost, stolen or destroyed shall constitute a contractual obligation of the Board whether the lost, stolen, or destroyed Series 2019E 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 2019E 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 2019E Bond without necessity of further action by the Board of any other Person, and the duty of the replacement of such Series 2019E Bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Series 2019E Bonds in the form and manner and with the effect, as provided in Section 2.07 for Series 2019E Bonds issued in conversion and exchange for other Series 2019E Bonds.

Section 2.10. Successor Paying Agent/Registrars. The Board covenants with the registered owners of the Series 2019E Bonds that at all times while the Series 2019E 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 2019E 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 2019E 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 2019E 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 Bonds shall be delivered to the Underwriters against payment received therefrom on the Date of Delivery. The senior managing underwriter named in Section 11.01 hereof, acting as the representative for the Underwriters, shall be required to promptly surrender the Initial Bonds to the Paying Agent/Registrar for exchange. Series 2019E Bonds issued in exchange therefor shall be registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Series 2019E 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 2019E Bonds. Beneficial owners of Series 2019E Bonds will not receive physical delivery of Series 2019E Bond certificates except as provided hereinafter. For so long as DTC shall continue to serve as securities depository for the Series 2019E 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 2019E Bonds is to receive, hold or deliver any Series 2019E Bond certificate.

With respect to Series 2019E 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 2019E 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 2019E Bonds, (ii) the delivery to any DTC Participant or any other Person, other than a registered owner of the Series 2019E Bonds, as shown on the Registration Books, of any notice with respect to the Series 2019E 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 2019E Bonds, as shown in the Registration Books, of any amount with respect to principal of or premium, if any, or interest on the Series 2019E Bonds.

Replacement Series 2019E Bonds may be issued directly to beneficial owners of Series 2019E 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 2019E 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 2019E Bonds) that DTC is incapable of discharging its duties as securities depository for the Series 2019E Bonds; or (iii) the Board has determined (which determination is conclusive as to DTC and the beneficial owners of the Series 2019E Bonds) that the interests of the beneficial owners of the Series 2019E 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 2019E Bonds, in certificate form, to the beneficial owners of the Series 2019E 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 2019E Bonds of such determination by mailing an appropriate notice to DTC, it shall cause to be issued replacement Series 2019E Bonds in certificate form to beneficial owners of the Series 2019E Bonds as shown on the records of DTC provided to the Board.

Whenever, during the term of the Series 2019E Bonds, the beneficial ownership thereof is determined by a book entry at DTC, the requirements in this Resolution of holding, delivering or transferring Series 2019E 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 2019E 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 Financial Assistance Bond shall be entitled to priority of payment over any other Financial Assistance Bond in the application of any moneys made available by law for the payment thereof, irrespective of the fact that some of the Financial Assistance Bonds may have been or may be delivered prior to the delivery of other Financial Assistance Bonds, it being the intent of this Resolution that all Financial Assistance Bonds shall rank equally on parity with each other.

ARTICLE III

INTEREST RATE ON VARIABLE RATE BONDS

Section 3.01. Initial Interest Rates; Subsequent Interest Rates. The Subseries 2019E-2 Bonds shall bear interest at the Initial Rate for the Initial Rate Period. At the end of the Initial Rate Period, the Subseries 2019E-2 Bonds shall be subject to mandatory tender, without right of retention by the Owner; provided, however, that a failure of the Remarketing Agent to remarket the Subseries 2019E-2 Bonds at the end of the Initial Rate Period, as further described in Section 4.04, shall result in the holders of the Subseries 2019E-2 Bonds retaining such Subseries 2019E-2 Bonds until the same are remarketed or redeemed pursuant to the applicable provisions of this Resolution. Thereafter, the Subseries 2019E-2 Bonds shall bear interest at the Term Rate determined in accordance with the provisions of Section 3.02, except that the interest period applicable to the Subseries 2019E-2 Bonds may be converted from the Initial Rate Period to a Term Rate Period of the same or different duration or to the Fixed Rate Period pursuant to Section 3.02 or Section 3.03, respectively. An Opinion of Bond Counsel is required prior to or in connection with a conversion from the Initial Rate Period to a Term Rate Period. Notwithstanding the foregoing, if the Remarketing Agent fails to remarket the Subseries 2019E-2 Bonds, resulting in the holders thereof retaining such Subseries 2019E-2 Bonds subsequent to the end of the Initial Rate Period, those Subseries 2019E-2 Bonds shall bear interest at the Stepped Rate for the duration of the Stepped Rate Period.

Section 3.02. Term Rates; Conversions among Term Rate Periods.

(a) **Determination by Remarketing Agent.** Subject to the further provisions of this ARTICLE III with respect to particular Term Rate or conversions between Term Rates, the Term Rate to be applicable to Subseries 2019E-2 Bonds during any Term Rate Period shall be determined by the Remarketing Agent. The Remarketing Agent shall determine the Term Rate in accordance with this section on the Rate Determination Date, and all Subseries 2019E-2 Bonds (other than Subseries 2019E-2 Bonds bearing interest at the Stepped Rate or any Subseries 2019E-2 Bonds bearing interest at a Fixed Rate) shall be issued in the same Term

Rate mode. The Term Rate so determined shall become effective on the first day of the next succeeding Term Rate Period.

(i) In each case, the Term Rate for the Term Rate Period in question shall be determined by the Remarketing Agent on the Rate Determination Date required pursuant to Section 3.02(b) below.

(ii) Each Term Rate determined by the Remarketing Agent shall be the lowest rate of interest which, in the judgment of the Remarketing Agent, would cause the Subseries 2019E-2 Bonds to have a market value not less than equal to the principal amount thereof, plus accrued interest, under prevailing market conditions as of the Rate Determination Date; provided, however, that any excess proceeds resultant from a pricing structure that produces a net reoffering premium shall (after applying a portion of such reoffering premium to the costs incurred by the Board in connection with such reoffering and conversion, if so desired by the Board) be used to reduce the principal amount of Subseries 2019E-2 Bonds that are outstanding after the Term Rate conversion (with the redemption dates and prices determined pursuant to Section 5.03 hereof), and make the Term Rate available to the Paying Agent/Registrar; provided, further, however, that in no event shall the Subseries 2019E-2 Bonds converted to Term Rate bear interest at a rate exceeding the Highest Rate.

(iii) All determinations of Term Rates pursuant to this Section shall be conclusive and binding, absent manifest, upon the Board, the Tender Agent, the Paying Agent/Registrar, and the Owners of the Subseries 2019E-2 Bonds to which such rates are applicable. The Board, the Tender Agent, the Paying Agent/Registrar and the Remarketing Agent shall not be liable to any Owners for failure to give any notice required above or for failure of any Owners to receive such notice.

(b) Manner of Term Rate Determination. A Term Rate shall be determined for each Term Rate Period as follows:

(i) Term Rate Periods shall (A) commence initially on the Term Rate Conversion Date and on the first day of a calendar month which is an integral multiple of twelve (12) calendar months thereafter; and (B) end on the last day preceding either the commencement date of the following Term Rate Period or the Conversion Date on which a different rate period shall become effective.

(ii) The Term Rate for each Term Rate Period shall be effective from and including the commencement date of such Period and remain in effect through and including the last day thereof. Each such Term Rate shall be determined for each Term Rate Period not later than 12:00 p.m., New York City time on the Rate Determination Date, which date shall be a day not more than the 35th day immediately preceding the commencement date of such Term Rate Period (as determined by the Board and the Remarketing Agent), and each such Term Rate shall be made available to the Paying Agent/Registrar and the Tender Agent by the Remarketing Agent by the close of business on its Rate Determination Date.

(iii) Notice of each Term Rate shall be given by the Paying Agent/Registrar by first-class mail to each Owner promptly after such Term Rate is determined.

(iv) At the expiration of the Initial Term Rate Period and any Term Rate Period into which the Subseries 2019E-2 Bonds have been remarketed, respectively, the Board shall be obligated to remarket the Subseries 2019E-2 Bonds pursuant to Section 3.02(c) hereof.

(v) If, at the expiration of the then-applicable Term Rate Period, there occurs a failed remarketing of the type described in Section 4.02(e) hereto, then all of the Outstanding Subseries 2019E-2 Bonds shall bear interest at the Stepped Rate for the duration of the Stepped Rate Period.

(c) Conversions between Term Rate Periods. At the option of the Board, and pursuant to an order of the Board, the Subseries 2019E-2 Bonds may be converted from the Initial Rate Period to one or more Term Rate Periods or from one Term Rate Period to another. In addition, such order of the Board shall identify the Remarketing Agent that will accomplish the remarketing of the Subseries 2019E-2 Bonds on the Board's behalf at the time of such conversion. The Board shall, in connection with the identification of the Remarketing Agent, authorize execution of a Remarketing Agreement therefor if no such agreement is then in place. To accomplish the proposed conversion, the Board shall give written notice of the proposed conversion together with a copy of the Opinion of Bond Counsel to the Remarketing Agent on the date that notice is required to be given pursuant to Section 3.02(c)(ii). The conversion shall be accomplished as follows:

(i) The Conversion Date of a conversion to a new Term Rate Period shall be an Interest Payment Date on which interest is payable for the Initial Rate Period or Term Rate Period, as applicable, from which the conversion is to be made.

(ii) The Board shall give written notice of any such conversion to the Paying Agent/Registrar, and the Tender Agent not less than forty-five (45) days prior to the proposed Conversion Date. Such notice shall specify the proposed Conversion Date and the Term Rate Period(s) to which the conversion will be made, and the number of years to be included within such Term Rate Period(s).

(iii) Not less than thirty (30) days prior to the Conversion Date, the Paying Agent/Registrar shall mail (by first-class mail) a written notice of the conversion to the Owners. Such notice shall:

(A) contain the information set forth in the notice from the Board pursuant to Section 3.02(c)(ii) above,

(B) set forth the dates by which the Remarketing Agent will determine and the Paying Agent/Registrar will notify the Owners of the Term Rate for the Term Rate Period commencing on the Term Rate Conversion Date pursuant to Section 3.02(c)(iv) below, and

(C) set forth the matters required to be stated pursuant to Section 4.02 with respect to purchases of such Subseries 2019E-2 Bonds governed by such Section.

(iv) The Term Rate for the Term Rate Period commencing on the Conversion Date shall be determined by the Remarketing Agent in the manner provided in Section 3.02(a) above on the date set forth in Section 3.02(b) above.

(v) Any conversion pursuant to this Section 3.02 shall be subject to the condition that on or before five (5) days prior to the date the Paying Agent/Registrar is required to give notice of the date of such conversion, the Board shall have delivered to the Paying Agent/Registrar and the Remarketing Agent an Opinion of Bond Counsel. If such Opinion of Bond Counsel is not delivered, the conversion shall not occur and the Subseries 2019E-2 Bonds shall not be converted but shall remain in the same Term Rate Period; provided, however, that such Subseries 2019E-2 Bonds shall be subject to mandatory tender as provided herein.

Section 3.03. Fixed Rate Conversion at Option of the Board. At the option of the Board, and pursuant to an order of the Board, Subseries 2019E-2 Bonds bearing interest at a Term Rate may be converted in whole or in part to a Fixed Rate to their maturity or prior redemption. In the event of a partial conversion pursuant to this Section, the Paying Agent/Registrar shall select by lot or other customary random method the Subseries 2019E-2 Bonds to be converted to a Fixed Rate in order to effectuate a pro rata allocation of the mandatory redemption schedule as set forth in Section 5.04 hereof between the Subseries 2019E-2 Bonds to be converted to a Fixed Rate and the Subseries 2019E-2 Bonds remaining in a Term Rate. Any such conversion shall be made as follows:

(a) The Fixed Rate Conversion Date shall be an Interest Payment Date on which a new Term Rate Period would otherwise have commenced pursuant to Section 3.02(b) hereof.

(b) (i) The Board shall give written notice of any such conversion to the Remarketing Agent, the Paying Agent/Registrar, and the Tender Agent not less than forty-five (45) days prior to the proposed Conversion Date. Such notice shall specify the Fixed Rate Conversion Date and the principal amount of Subseries 2019E-2 Bonds to be converted.

(ii) Not less than thirty (30) days prior to the Fixed Rate Conversion Date, the Paying Agent/Registrar shall mail (by first-class mail) a written notice of the conversion to the Owner of all Subseries 2019E-2 Bonds to be converted, specifying the Conversion Date and setting forth the matters required to be stated pursuant to Section 3.03(c).

(c) Notice of conversion shall be given by first-class mail by the Paying Agent/Registrar to (x) each nationally-recognized securities rating agency that has a then existing rating on the Subseries 2019E-2 Bonds and (y) the Owners of all Subseries 2019E-2 Bonds to be converted. Such notice shall inform the Owners of:

(i) the proposed Fixed Rate Conversion Date;

(ii) the dates by which the Remarketing Agent will determine and the Paying Agent/Registrar will notify the Owners of the Fixed Rate pursuant to Section 3.03(d) below;

(iii) the conditions to the conversion pursuant to Section 3.03(e) below; and

(iv) the matters required to be stated pursuant to Section 4.03 with respect to purchases of Subseries 2019E-2 Bonds governed by such Section.

(d) Not later than 12:00 p.m., New York City time, on the seventh (7th) Business Day prior to the Fixed Rate Conversion Date the Remarketing Agent shall, in consultation with and

subject to the approval of the Board, determine the Fixed Rate or Rates for the Subseries 2019E-2 Bonds which will cause the Subseries 2019E-2 Bonds to have a market value equal to not less than the principal amount thereof, provided that any excess proceeds resultant from a pricing structure that produces a net reoffering premium shall (after applying a portion of such reoffering premium to the costs incurred by the Board in connection with such reoffering and conversion, if so desired by the Board) be used to reduce the principal amount of Subseries 2019E-2 Bonds that are outstanding after the Fixed Rate conversion (with the redemption dates and prices determined pursuant to Section 5.03(c) hereof), and make the Fixed Rate or Rates available to the Paying Agent/Registrar; provided, however, in no event shall the Subseries 2019E-2 Bonds converted to Fixed Rate bear interest at a rate exceeding the Highest Rate. Such determination shall be conclusive and binding upon the Board, the Paying Agent/Registrar and the Owners of the Bond to which such Rate will be applicable. Promptly after the date of determination, the Paying Agent/Registrar shall give notice of such Fixed Rate or Rates by first-class mail to the Tender Agent, and the Owners (as of the Fixed Rate Conversion Date).

(e) Any conversion to a Fixed Rate pursuant to this Section 3.03 shall be subject to the following conditions:

(i) on or before the Fixed Rate Conversion Date, the Board shall have delivered to the Paying Agent/Registrar and the Remarketing Agent an Opinion of Bond Counsel; and

(ii) as of the Fixed Rate Conversion Date, sufficient funds shall be available to purchase Subseries 2019E-2 Bonds which are then required to be purchased pursuant to Section 4.04.

If the foregoing conditions are not met for any reason, the conversion shall not be effective, the Subseries 2019E-2 Bonds shall continue to bear interest at the last effective Term Rate or Stepped Rate, as applicable. The Paying Agent/Registrar shall promptly notify the Owners of such fact and shall give all additional notices and take all further actions required pursuant to Section 5.06.

(f) At its option, the Board also may determine the serial or term maturities, redemption provisions and other terms which shall be applicable to the pricing of the Subseries 2019E-2 Bonds on and after the Fixed Rate Conversion Date. Such option may be exercisable only on a Fixed Rate Conversion Date. Serial maturities shall be determined by the Board at the time of the conversion to a Fixed Rate. Following the Fixed Rate Conversion Date, the Subseries 2019E-2 Bonds shall be subject to optional redemption in whole or in part on such dates as shall be determined at the time of the conversion. If the Board so elects, the serial maturities or mandatory redemption provisions for the Subseries 2019E-2 Bonds converted to a Fixed Rate may be determined on the basis of providing similar relative principal and interest payments on such Subseries 2019E-2 Bonds, including the principal payment schedule set forth in Section 5.03 (after giving pro rata effect for any prior sinking fund redemptions of the Subseries 2019E-2 Bonds, if any, not then converted to a Fixed Rate). Also, if the Board exercises its option to change the redemption provisions and the serial maturity dates, then on or before the Fixed Rate Conversion Date on which such option is exercised, the Board shall, as a condition to the exercise of such option, deliver to the Paying Agent/Registrar an Opinion of Bond Counsel.

ARTICLE IV

TENDER AND PURCHASE OF BONDS

Section 4.01. No Optional Tender. The Series 2019E Bonds are not subject to optional tender by the Holders thereof.

Section 4.02. Mandatory Tender of the Subseries 2019E-2 Bonds Upon Term Rate Conversion.

(a) **Conversions to Term Rate Periods.** While the Board is obligated to remarket the Subseries 2019E-2 Bonds pursuant to Section 3.02(b)(iv), on any Term Rate Conversion Date pursuant to Section 3.02(c), the Subseries 2019E-2 Bonds shall be subject to mandatory tender on such date as follows:

(i) Subseries 2019E-2 Bonds to be converted from the Initial Rate Period to one or more Term Rate Periods or from a Term Rate Period to another Term Rate Period are subject to mandatory tender for purchase on the Term Rate Conversion Date at the Purchase Price; and

(ii) Owners of Subseries 2019E-2 Bonds shall not have the right to retain their Subseries 2019E-2 Bonds upon any such conversion.

(b) **Notice to Owners.** Any notice of a Term Rate Conversion Date given to Owners pursuant to Section 3.03(c)(iii), in addition to the requirements of such Section, shall state that the Subseries 2019E-2 Bonds to be converted are subject to mandatory tender for purchase on the Term Rate Conversion Date and the time at which the Subseries 2019E-2 Bonds are to be tendered for purchase.

(c) **Remarketing.** No later than 1:00 p.m., New York City time, on a Business Day which is at least fifteen (15) days prior to the Term Rate Conversion Date, the Tender Agent shall notify an Authorized Representative and the Remarketing Agent by telephone, facsimile, electronic mail transmission, or other similar communication, of the principal amount of Subseries 2019E-2 Bonds to be tendered for purchase on the Term Rate Conversion Date. Unless the Remarketing Agreement then in effect specifies that such remarketing shall constitute a firm financial arrangement with the Remarketing Agent, the Remarketing Agent shall offer for sale and use its best efforts to find purchasers for such Subseries 2019E-2 Bonds. The terms of any sale by the Remarketing Agent shall provide for the payment of the Purchase Price of tendered Subseries 2019E-2 Bonds to the Remarketing Agent in immediately available funds at or before 9:30 a.m., New York City time, on the Term Rate Conversion Date.

(d) **Purchase of Tendered Subseries 2019E-2 Bonds.**

(i) **Notice.** At or before 3:00 p.m., New York City time, on the Business Day immediately preceding the date fixed for purchase of tendered Subseries 2019E-2 Bonds, the Remarketing Agent shall give notice by telephone, facsimile, electronic mail transmission, or other similar communication to the Tender Agent of the principal amount of tendered Subseries 2019E-2 Bonds which were not remarketed. Not later than 4:00 p.m., New York City time, on the date of receipt of such notice the Tender Agent shall give notice by telephone, facsimile, electronic mail transmission, or other similar communication to an Authorized Representative and the Paying Agent/Registrar

specifying the principal amount of tendered Subseries 2019E-2 Bonds as to which the Remarketing Agent has not found a purchaser. No later than 10:30 a.m., New York City time, on the date fixed for purchase, the Remarketing Agent shall give notice to the Tender Agent by telephone (promptly confirmed in writing) of any change in the names, addresses, and taxpayer identification numbers of the purchaser, the Authorized Denominations of the Subseries 2019E-2 Bonds to be delivered to each purchaser and, if available, payment instructions for regularly scheduled interest payments.

(ii) Sources of Payment. At or before 10:30 a.m., New York City time, the Remarketing Agent shall cause to be paid to the Tender Agent for deposit in the “Texas Water Development Board Water Financial Assistance Remarketing Proceeds Payment Fund, Subseries 2019E-2” (the *Subseries 2019E-2 Payment Fund*) on the date fixed for purchase of the tendered Subseries 2019E-2 Bonds, all amounts representing proceeds of the remarketing of such Subseries 2019E-2 Bonds, such payments to be made in the manner and at the time specified in Section 4.02(c) above. If such amounts, plus all other amounts received by the Tender Agent for the purchase of tendered Subseries 2019E-2 Bonds, are not sufficient to pay the Purchase Price, the Tender Agent shall immediately notify an Authorized Representative of any deficiency no later than 11:00 a.m., New York City time, on such date; provided, however, in the event the date of purchase of the tendered Subseries 2019E-2 Bonds is an Interest Payment Date, payment of the accrued interest portion of the Purchase Price for the tendered Subseries 2019E-2 Bonds shall be the sole responsibility of the Board. The Board (if the Board is obligated to pay the interest portion of the Purchase Price) shall deliver to the Tender Agent immediately available funds in an amount at least equal to its portion of the Purchase Price agreed to be paid on the tender date of such unremarketed tendered Subseries 2019E-2 Bonds prior to 2:00 p.m., New York City time, on the date set for purchase of such tendered Subseries 2019E-2 Bonds. All money received by the Tender Agent as remarketing proceeds and additional amounts, if any, received from the Board to pay the Purchase Price of the tendered Subseries 2019E-2 Bonds shall be deposited by the Tender Agent in the Subseries 2019E-2 Payment Fund to be used solely for the payment of the Purchase Price of such tendered Subseries 2019E-2 Bonds and shall not be commingled with other funds held by the Tender Agent and shall remain uninvested.

(iii) Payments by the Tender Agent. At or before 2:30 p.m., New York City time, on the date set for purchase of tendered Subseries 2019E-2 Bonds and upon receipt by the Tender Agent of 100% of the aggregate Purchase Price of the tendered Subseries 2019E-2 Bonds, the Tender Agent shall pay the Purchase Price of such Subseries 2019E-2 Bonds to the Owners thereof at its designated office or by bank wire transfer. Such payments shall be made in immediately available funds. The Tender Agent shall apply in order (A) money paid to it by the Remarketing Agent as proceeds of the remarketing of such Subseries 2019E-2 Bonds by the Remarketing Agent and (B) money, if any, paid by the Board. If sufficient funds are not available for the purchase of all tendered Subseries 2019E-2 Bonds, no purchase shall be consummated, in which case the provisions of Section 4.02(e) shall apply.

(iv) Registration and Delivery of Tendered or Purchased Subseries 2019E-2 Bonds. On the purchase date, the Tender Agent shall register and deliver (or hold) or cancel all Subseries 2019E-2 Bonds purchased or remarketed by the Remarketing Agent and deliver to the new registered owner in accordance with the instructions of the Remarketing Agent by 2:00 p.m., New York City time.

Notwithstanding anything to the contrary in the foregoing paragraph, for so long as the Subseries 2019E-2 Bonds are held in the Book-Entry-Only System of DTC in accordance with Section 2.11 hereof, any Bond remarketed by the Remarketing Agent shall be delivered to the new beneficial owner thereof by a transfer in the Book-Entry-Only System of DTC of such remarketed Bond to the applicable DTC Participant account for such beneficial owner.

(v) Delivery of Subseries 2019E-2 Bonds; Effect of Failure to Surrender Subseries 2019E-2 Bonds. All Subseries 2019E-2 Bonds to be purchased on any date shall be required to be delivered to the office of the Tender Agent at or before 5:00 p.m., New York City time, on the Business Day next preceding the purchase date (12:00 noon New York City time on the tender date for Subseries 2019E-2 Bonds held in book entry only system). If the Owner of any Bond (or portion thereof) that is subject to purchase pursuant to this Section fails to deliver such Bond to the Tender Agent for purchase on the purchase date, and if the Tender Agent is in receipt of the Purchase Price therefor, such Bond (or portion thereof) shall nevertheless be deemed purchased on the day fixed for purchase thereof and shall constitute an Undelivered Subseries 2019E-2 Bond. Ownership of Undelivered Subseries 2019E-2 Bonds (or portions thereof) shall be transferred to the purchaser thereof as provided in Section 4.02(d)(iv) above. Any Owner of Undelivered Subseries 2019E-2 Bonds shall have no further right thereunder except the right to receive the Purchase Price thereof upon presentation and surrender of said Bond to the Tender Agent. The Tender Agent shall, as to any Undelivered Subseries 2019E-2 Bonds, (A) promptly notify the Remarketing Agent of such nondelivery and (B) place a stop transfer against such Undelivered Subseries 2019E-2 Bonds.

(e) Failure to Remarket Tendered Subseries 2019E-2 Bonds. In the event that Subseries 2019E-2 Bonds in the Initial Rate Period or any Term Rate Period are not converted and remarketed to new purchasers on the applicable Conversion Date, the Board shall have no obligation to purchase the Subseries 2019E-2 Bonds tendered on such date, the failed conversion and remarketing shall not constitute an event of default under this Resolution or the Subseries 2019E-2 Bonds, the mandatory tender will be deemed to have been rescinded for that date with respect to the Subseries 2019E-2 Bonds, and such Subseries 2019E-2 Bonds (i) will continue to be Outstanding, (ii) will be purchased upon the availability of funds to be received from the subsequent remarketing of such Subseries 2019E-2 Bonds, (iii) will bear interest at the Stepped Rate during the Stepped Rate Period, (iv) will be subject to redemption and mandatory tender for purchase on any date during the Stepped Rate Period upon which a conversion occurs (which shall occur at the Board's discretion upon delivery of at least one day's notice to the Holders thereof), and (v) will be deemed to continue in the Initial Rate Period or a Term Rate Period, as applicable, for all other purposes of this Resolution, though bearing interest during such time at the Stepped Rate until remarketed or redeemed in accordance with the terms of this Resolution. In the event of a failed conversion and remarketing as described above, the Board will cause the Subseries 2019E-2 Bonds to be converted and remarketed on the earliest reasonably practicable date on which they can be sold at par, at a Term Rate not exceeding the Highest Rate. All other provisions of Section 4.02 shall apply to and govern Subseries 2019E-2 Bonds described in this Subsection (e) to the extent such terms are not in conflict with those included herein.

Section 4.03. Mandatory Tender Upon Fixed Rate Conversion. (a) Mandatory Tender Upon Conversion. Any Subseries 2019E-2 Bonds to be converted to a Fixed Rate pursuant to Section 3.03 shall be subject to mandatory tender for purchase on the Fixed Rate

Conversion Date at the Purchase Price. The Owners shall not have the right to elect to retain their Subseries 2019E-2 Bonds.

(b) Notice to Owners. Any notice of conversion given to Owners pursuant to Section 3.03(c) shall, in addition to the requirements of such Section, state that Owners shall not have the right to waive mandatory tender and that Subseries 2019E-2 Bonds not delivered to the Tender Agent for purchase on the date specified in the notice shall be deemed tendered on such date and that after such date Owners will not be entitled to any payment (including interest to accrue subsequent to the required purchase date) other than the Purchase Price for such Undelivered Subseries 2019E-2 Bonds and such Undelivered Subseries 2019E-2 Bonds shall no longer be entitled to the benefits of this Resolution.

(c) Remarketing. Unless the Remarketing Agreement then in effect specifies that such remarketing shall constitute a firm financial arrangement with the Remarketing Agent, the Remarketing Agent shall offer for sale and use its best efforts to find purchasers for the Subseries 2019E-2 Bonds; provided that in no event shall the Remarketing Agent offer any such Bond for sale to any person unless the Remarketing Agent has advised such person of the fact that, after the Fixed Rate Conversion Date, the Bond will no longer be subject to tender at the option of the Owner. The terms of any sale by the Remarketing Agent shall provide for the payment of the Purchase Price to the Remarketing Agent of the tendered Subseries 2019E-2 Bonds in immediately available funds at or before 9:30 a.m., New York City time on the Fixed Rate Conversion Date.

(d) Purchase of Tendered Subseries 2019E-2 Bonds. The provisions of Section 4.02(d) shall apply to mandatory tenders pursuant to this Section 4.03.

Section 4.04. Mandatory Tender at End of Initial Rate Period. Notwithstanding any provisions of this Resolution to the contrary, the Subseries 2019E-2 Bonds issued hereunder shall be subject to mandatory tender on the Term Rate Conversion Date immediately following the end of the Initial Rate Period, without right of retention by the Owner, at the Purchase Price. Subseries 2019E-2 Bonds tendered pursuant to this Section 4.04 shall be delivered to the Remarketing Agent against payment therefor in accordance with the provisions of Section 4.02(d). In the event that such Subseries 2019E-2 Bonds are not converted and remarketed to new purchasers on the scheduled date of mandatory tender, the Board shall have no obligation to purchase the Subseries 2019E-2 Bonds tendered on such date, the failed conversion and remarketing shall not constitute an event of default under this Resolution or the Subseries 2019E-2 Bonds, the mandatory tender will be deemed to have been rescinded for that date with respect to all of the Subseries 2019E-2 Bonds then Outstanding, and such Subseries 2019E-2 Bonds (i) will continue to be Outstanding, (ii) will be purchased upon the availability of funds to be received from the subsequent remarketing of such Subseries 2019E-2 Bonds, (iii) will bear interest at the Stepped Rate during the Stepped Rate Period, (iv) will be subject to redemption and mandatory tender for purchase on any date during the Stepped Rate Period upon which a conversion occurs (which shall occur at the Board's discretion upon delivery of at least one day's notice to the holders thereof), and (v) will be deemed to continue in an Initial Rate Period for all other purposes of this Resolution, though bearing interest during such time at the Stepped Rate, until remarketed or redeemed in accordance with the terms of this Resolution. In the event of a failed conversion and remarketing as described above, the Board will cause the Subseries 2019E-2 Bonds to be converted and remarketed on the earliest reasonably practicable date on which they can be sold at par, in such interest rate mode or modes as the Board directs, at a rate not exceeding the Highest Rate.

ARTICLE V

REDEMPTION OF BONDS BEFORE MATURITY

Section 5.01. Limitation on Redemption. Unless otherwise provided in the Approval Certificate, the Series 2019E Bonds shall be subject to redemption before scheduled maturity only as provided in this ARTICLE V. Any provision of this ARTICLE V, including, without limitation, any provisions relating to the method or selection of Series 2019E Bonds for redemption may be modified in an Approval Certificate.

Section 5.02. Optional and Mandatory Redemption for Subseries 2019E-1 Bonds. The Subseries 2019E-1 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 Subseries 2019E-1 Bonds as provided for in the Approval Certificate.

Section 5.03. Optional Redemption for Subseries 2019E-2 Bonds. (a) Prior to the Fixed Rate Conversion Date, Subseries 2019E-2 Bonds bearing interest at the Initial Rate during the Initial Rate Period and at a Term Rate during a Term Rate Period are subject to redemption, if at all, at the times, at the prices, and in the manner determined by the Board on a Term Rate Conversion Date (and as evidenced in an Approval Certificate); provided, however, that the Subseries 2019E-2 Bonds are callable, at the option of the Board, in whole or in part, at a redemption price equal to the principal amount thereof plus interest accrued thereon to the redemption date, on any Term Rate Conversion Date.

(b) Notwithstanding anything herein to the contrary, during the Initial Rate Period, the Subseries 2019E-2 Bonds may be redeemed, at the option of the Board, in whole or in part in Authorized Denominations on the date specified in the Approval Certificate, or on any date thereafter, at the redemption price of par, together with accrued interest to the date of redemption.

(c) Subseries 2019E-2 Bonds bearing interest at the Stepped Rate during the Stepped Rate Period are subject to redemption, in whole or in part, at the option of the Board, at a redemption price equal to the principal amount thereof plus interest accrued thereon at the Stepped Rate to the redemption date, on any date.

(d) Subseries 2019E-2 Bonds bearing interest at a Fixed Rate are subject to redemption at the option of the Board, in whole or in part, on the dates and at the prices determined and established by the Board on the Fixed Rate Conversion Date.

(e) The Board shall deliver notice to the Paying Agent/Registrar of its intention to redeem Subseries 2019E-2 Bonds, which notice shall specify the principal amount of the Subseries 2019E-2 Bonds to be redeemed (i) with respect to Subseries 2019E-2 Bonds bearing interest at a Stepped Rate, at least two (2) days prior to the redemption date and (ii) with respect to Subseries 2019E-2 Bonds bearing interest at a Term Rate or at Fixed Rates, at least forty-five (45) days prior to the redemption date (or such shorter period acceptable to the Paying Agent/Registrar).

(f) On or prior to the date established for optional redemption of any Subseries 2019E-2 Bonds, the Board shall have deposited an amount sufficient to pay the

redemption price of the Subseries 2019E-2 Bonds to be redeemed with the Paying Agent/Registrar. Such money shall be invested, if at all, in Defeasance Securities.

Section 5.04. Scheduled Mandatory Redemption for Subseries 2019E-2. The Subseries 2019E-2 Bonds are subject to mandatory redemption from money on deposit in the Bond Payment Account at a price of par plus accrued interest to the date fixed for redemption, on August 1 in each of the years and in the amounts specified in the Approval Certificate.

The principal amount of Subseries 2019E-2 Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the Board, by the principal amount of any Subseries 2019E-2 Bonds which, at least 50 days prior to the mandatory redemption date (1) shall have been defeased or acquired by the Board and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Board with money in the Bond Fund, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

Section 5.05. Partial Redemption. (a) Subseries 2019E-2 Bonds redeemed in part shall be selected for redemption as described in the FORM OF BOND.

(b) A portion of a single Bond of a denomination greater than an Authorized Denomination may be redeemed but only in a principal amount equal to a minimum Authorized Denomination or any integral multiple thereof. The Paying Agent/Registrar shall treat each minimum Authorized Denomination of such Bond as though it were a single Bond for purposes of selection for redemption.

(c) Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver an exchange Bond or Subseries 2019E-2 Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Section 5.06. Notice of Redemption.

(a) The Paying Agent/Registrar shall record in the Registration Books all such redemptions of principal of the Series 2019E Bonds or any portion thereof. Notice of any redemption of the Series 2019E 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 2019E Bonds as set forth in the FORM OF BOND, the Paying Agent/Registrar shall give notice of redemption of the Series 2019E 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. In addition, in the event of a redemption caused by an advance refunding of the Series 2019E Bonds, the Paying Agent/Registrar shall send a second notice of redemption to the Persons specified in the immediately preceding sentence at least thirty (30) days but not more than ninety (90) days prior to the actual redemption date. 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 2019E Bonds who has not sent the Series 2019E 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 (i), 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 2019E Bond.

The Board reserves the right to give notice of its election to optionally redeem Series 2019E 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 2019E Bonds subject to conditional redemption where redemption has been rescinded shall not constitute an event of default and shall remain outstanding.

(c) Each redemption notice, whether required in the FORM OF BOND or otherwise by this Resolution, shall contain a description of the Series 2019E Bonds to be redeemed, including the complete name of the Series 2019E Bonds, the series, the date of issue, the interest rate, the maturity date, the CUSIP number, if any, the amounts called of each Series 2019E 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 2019E Bond may be redeemed including a contact person and telephone number.

(d) All redemption payments made by the Paying Agent/Registrar to the registered owners of the Series 2019E Bonds shall include a CUSIP number relating to each amount paid to such registered owner.

(e) Should notice to call Series 2019E 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 2019E Bonds so called for redemption, no Series 2019E Bond shall be redeemed on the date fixed for redemption, and the notice of redemption for such Series 2019E Bonds shall be null and void. Such occurrence shall not result in default of the Board's payment obligations on the Series 2019E Bonds as provided herein or in the Series 2019E Bonds.

Section 5.07. 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 5.08. Effect of Redemption. (a) Notice of redemption having been given, and due provision having been made for payment, the Subseries 2019E-2 Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption; thereafter, such Subseries 2019E-2 Bonds or portions thereof shall cease to bear interest from

the date fixed for redemption, whether or not such Subseries 2019E-2 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 same by the Board.

ARTICLE VI

FORM OF BONDS AND CERTIFICATES

Section 6.01. Form of Bond and Certificates. The form of all Series 2019E Bonds, including the form of the Authentication Certificate and the form of Assignment to be printed on each of the Series 2019E Bonds, and the form of registration certificate of the Comptroller that shall accompany the Initial Bonds, shall be substantially in the form as set forth in the FORM OF BOND, with such appropriate variations, omissions or insertions as are permitted or required by this Resolution or the applicable Approval Certificate. The Series 2019E 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 6.02. 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 2019E Bonds, in the form in which it is to be delivered upon payment for the Series 2019E Bonds, either will be printed on the reverse side of or otherwise attached to the Series 2019E Bonds or will be delivered to DTC if the Series 2019E Bonds are held in book-entry only form; and the use of the lithographed or printed facsimile signature of the Executive Administrator to certify to the correctness of such copy is hereby authorized.

Section 6.03. Printing of Statement of Insurance. The Board hereby authorizes the printer of the Series 2019E Bonds to print thereon any statement of insurance with respect to the Series 2019E Bonds furnished by any municipal bond insurance company insuring the Series 2019E Bonds.

ARTICLE VII

SECURITY AND PAYMENT OF BONDS; ESTABLISHMENT AND FLOW OF FUNDS

Section 7.01. General Obligations. The Financial Assistance Bonds, including the Previously Issued Financial Assistance Bonds and the Series 2019E Bonds, constitute general obligations of the State pursuant to Section 49-d-8, 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 Financial Assistance 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 7.02. 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 7.03. 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 Financial Assistance 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 and interest on the Financial Assistance 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 Financial Assistance 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 7.04 and 7.05, amounts

sufficient to pay when due the principal of and premium, if any, and interest payable on the Financial Assistance 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 Financial Assistance 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 7.04.

Section 7.04. Flow of Funds For Debt Service.

(a) Transfers for Payments of Bonds. While and so long as any Financial Assistance 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 Financial Assistance 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 or interest on such Financial Assistance 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 7.04, 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 shall 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, 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 or interest on such Financial Assistance 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; 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 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 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 2019E Bonds shall be deposited to the Bond Payment Account to the extent specified in the applicable Approval Certificate.

Section 7.05. 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 Financial Assistance Bonds, including 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 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 7.06. 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 resolutions authorizing the Financial Assistance 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 Financial Assistance Bonds (including the Designated Payment/Transfer Office of the Paying Agent/Registrar for the Series 2019E Bonds) to pay principal of and interest on all Financial Assistance 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 Financial Assistance Bonds, all in accordance with their respective authorizing resolutions. 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 Financial Assistance Bonds for payment prior to maturity. Remittances to the place of payment for the Financial Assistance Bonds (including the Designated/Payment Transfer Office of the Paying Agent/Registrar for the Series 2019E Bonds) of money for payment of principal and interest or for redemption of Financial Assistance Bonds must be made in accordance with the provisions hereof.

Section 7.07. 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 Financial Assistance Bonds (including the Paying Agent/Registrar for the Series 2019E Bonds) for the payment of interest

on and principal of the Financial Assistance Bonds, and any premium thereon, becoming due on each interest or principal 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 Financial Assistance Bonds. In addition, the Board covenants that such moneys shall be forwarded to the place of payment for the Financial Assistance Bonds (including the Designated Payment/Transfer Office of the Paying Agent/Registrar for the Series 2019E 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 7.08. 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 in 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 Financial Assistance Bonds (including the Designated Payment/Transfer Office of the Paying Agent/Registrar for the Series 2019E Bonds), or the place of payment for such payments, if any, to be made under any such Bond Enhancement Agreement.

Section 7.09. 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 Financial Assistance 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.

ARTICLE VIII

REMARKETING AGENT; TENDER AGENT

Section 8.01. Appointment of Remarketing Agent Upon Conversion. Upon initial delivery of the Subseries 2019E-2 Bonds, the Board will not appoint a Remarketing Agent for such bonds. Prior to any conversion of Subseries 2019E-2 Bonds pursuant to Section 3.02(c) hereof, the Board shall appoint a Remarketing Agent and enter into a Remarketing Agreement with respect to such Subseries 2019E-2 Bonds and such conversion.

Section 8.02. Appointment of Initial Tender Agent. The Board hereby appoints the Paying Agent/Registrar as initial Tender Agent for the Subseries 2019E-2 Bonds. The Authorized Representative is hereby authorized and directed to execute and deliver the Tender Agent Agreement, in substantially the form attached hereto as **Exhibit D**, for and on behalf of the Board, and such Tender Agent Agreement, as executed by an Authorized Representative shall be deemed to be the Tender Agent Agreement herein approved and authorized to be executed and delivered for and on behalf of the Board. The Tender Agent shall signify its acceptance of the duties and obligations imposed on it hereunder by its execution of the Tender Agent Agreement.

Each Tender Agent shall be a commercial bank or trust company organized under the laws of the United States or any state, or other entity duly qualified and legally authorized to serve as and perform the duties and services of tender agent for the Subseries 2019E-2 Bonds.

Section 8.03. Maintaining Tender Agent and Remarketing Agent. (a) The Board shall maintain a Tender Agent as long as the Subseries 2019E-2 Bonds are outstanding but the

Board shall not maintain a Remarketing Agent for the Subseries 2019E-2 Bonds during the Initial Rate Period. In the order adopted by the Board pursuant to Section 3.02(c) hereof in connection with any conversion of the Subseries 2019E-2 Bonds, the Board shall identify a Remarketing Agent with respect to such conversion, specify the terms of any such remarketing and authorize the execution of a Remarketing Agreement evidencing the Remarketing Agent's agreement to serve in such capacity. No resignation or removal of the Remarketing Agent (if required to be maintained) or Tender Agent shall become effective until a successor has been appointed and accepted such appointment. Any successor Tender Agent shall have capital of not less than \$50,000,000.

(b) Promptly upon each change in the entity serving as Remarketing Agent or Tender Agent, the Board will cause notice of such change to be sent to each Owner by first-class mail.

ARTICLE IX

COVENANTS AND REMEDIES

Section 9.01. Special Covenant. The Board covenants that it will faithfully and promptly deposit into the Water Infrastructure Fund all money received from the sale of obligations acquired from Political Subdivisions with moneys from the Water Infrastructure Fund.

Section 9.02. 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 Bonds are first authenticated and delivered to the initial purchasers against payment therefor.

"Code" means the Internal Revenue Code of 1986, as amended by all legislation, if any, effective on or before the Closing Date.

"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 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 Bonds are invested and which is not acquired to carry out the governmental purposes of the Common Issue 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 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.

“Series 2019 Tax-Exempt Refunded Bonds” means the bonds refunded by the Common Issue Bonds.

“Yield” of

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

(ii) the Common Issue 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 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 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 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 Bonds (including property financed or refinanced with Gross Proceeds of the Series 2019 Tax-Exempt 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 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 Series 2019 Tax-Exempt 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 Bonds and shall take any action necessary to assure that Gross Proceeds of the Common Issue 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 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 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 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 Bonds, the proceeds of which were used to make or refinance the making of such loans. The Board shall assure that Political Subdivisions, or any related persons thereto, will be prohibited from purchasing the Common Issue 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 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 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 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 Bond is discharged. However, to the extent permitted by law, the Board may commingle Gross Proceeds of the Common Issue Bonds with other money of the Board, provided that the Board separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(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 Bonds until six years after the final Computation Date.

(3) As additional consideration for the purchase of the Common Issue Bonds by the purchasers thereof 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 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 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 Bonds not been relevant to either party.

(l) 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 Bonds, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document.

(m) Common Issue Bonds Not Hedge Bonds.

(1) At the time the original bonds refunded by the Common Issue Bonds were issued, the Board reasonably expected that at least 85% of the spendable proceeds of such bonds would be spent within three years after such bonds were issued.

(2) Not more than 50% of the proceeds of the original bonds refunded by the Common Issue Bonds were invested in Nonpurpose Investments having a substantially guaranteed Yield for a period of 4 years or more.

(n) Current Refunding. The Common Issue Bonds are being issued exclusively to pay and discharge in full the Series 2019 Tax-Exempt Refunded Bonds and such payment of the Series 2019 Tax-Exempt Refunded Bonds will occur within ninety (90) days after the issuance of the Common Issue Bonds.

Section 9.03. Creation of Accounts and Subaccounts. The Board covenants that it will maintain within the funds and accounts described in Section 7.03 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 9.04. Remedies of Bondholders. All rights available to the owners of the Financial Assistance 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 Financial Assistance Bonds may be paid promptly, are hereby recognized.

Section 9.05. 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 2019E Bonds, in whole or in part, on the interest rate, currency, cash flow, or other basis desired by the Board.

ARTICLE X

SUPPLEMENTS AND AMENDMENTS**Section 10.01. Amendment of Resolution with Consent of Registered Owners.**

(a) Amendments Requiring Consent. The registered owners of Series 2019E Bonds aggregating in principal amount 51% of the aggregate principal amount or maturity amount, as the case may be, of the Series 2019E Bonds at the time outstanding (but not including in any case Series 2019E 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 2019E Bonds so as to:

- (i) make any change in the maturity of any of the Series 2019E Bonds;
- (ii) reduce the rate of interest borne by any of the Series 2019E Bonds;
- (iii) reduce the principal amount or maturity amount, as applicable payable on any of the Series 2019E Bonds;
- (iv) modify the terms of payment of principal of or interest on or maturity amount, as the case may be, any Series 2019E Bond, or impose any conditions with respect to such payment;
- (v) change the minimum percentage of the principal amount or maturity amount of the Series 2019E Bonds necessary for consent to such amendment; or
- (vi) affect the rights of the registered owners of less than all of the Series 2019E Bonds then outstanding;

unless such amendment or amendments be approved by the registered owners of all of the Series 2019E 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 2019E 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 2019E 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 2019E 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 2019E 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 and maturity amount, as applicable, of the Series 2019E 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 2019E Bond shall be established by the registration of any such Series 2019E Bond on the Registration Books kept and maintained by the Paying Agent/Registrar.

Section 10.02. Amendment of Resolution Without Consent of Registered Owners.

(a) Amendments Not Requiring Consent. The foregoing provisions of this ARTICLE X notwithstanding, the Board may, without prior notice to or 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 Financial Assistance 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 Financial Assistance 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 9.02 and 12.04) 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 Financial Assistance Bonds, to amend the provisions of ARTICLE VII 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; or

- (ii) the accounts within Development Fund II; or
- (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; or
- (iv) the use of the proceeds of the Financial Assistance Bonds; or
- (v) the rights, duties and obligations of the Comptroller as specified in ARTICLE VII; or
- (vi) the procedure for payment of the Financial Assistance 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 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 Financial Assistance 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 or interest on the Financial Assistance 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 Financial Assistance 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 Financial Assistance 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 Financial Assistance 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 Financial Assistance Bonds.

Section 10.03. 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 2019E Bonds shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such amendments.

Section 10.04. Bonds May Bear Notation. Series 2019E Bonds authenticated and delivered after the execution of any amendatory resolution pursuant to this ARTICLE X 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 2019E 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 2019E Bonds then outstanding.

ARTICLE XI

PROVISIONS CONCERNING SALE OF BONDS

Section 11.01. Issuance and Sale of Bonds.

(a) **Approval Certificate.** Each 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 or subseries of Series 2019E 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 2019E Bonds were the most advantageous to the Board reasonably obtained, and the sale of the Series 2019E Bonds is in the best interests of the Board.

(b) **Underwriters.** Wells Fargo Bank, National Association 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 2019E 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 Financial Assistance Bonds previously issued by the Board to finance Water Assistance Projects. A Purchase Agreement shall contain the terms of the sale of the Series 2019E Bonds, as negotiated by the Authorized Representative in accordance with the terms hereof. Each Authorized Representative is hereby authorized and directed 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 2019E Bonds shall be delivered unless prior to delivery, the particular series or subseries of Series 2019E 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 2019E 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 2019E Bonds shall have the same force and effect as a finding or determination made by the Board.

Section 11.02. 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 2019E Bonds sold under the terms of such Purchase Agreement, such document to be in substantially the form utilized in connection with the sale of Financial Assistance 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 11.03. Custody of Bonds. After the Initial Bonds have 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 Bonds to the Attorney General for examination and approval. After the Initial Bonds shall have been approved by the Attorney General they shall be delivered to the Comptroller for registration. The Initial Bonds 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 2019E Bonds to the Underwriters on the Date of Delivery.

Section 11.04. Use of Bond Proceeds. Proceeds from the sale of Series 2019E 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 applicable Approval Certificate signed by an Authorized Representative.

ARTICLE XII

CONTINUING DISCLOSURE UNDERTAKING**Section 12.01 Continuing Disclosure Undertaking of the Comptroller.**

(a) General. The Board and the legal and beneficial owners of the Series 2019E Bonds are third-party beneficiaries of the Continuing Disclosure Agreement. The Comptroller is required to observe the Continuing Disclosure Agreement in respect of any issue of "Securities," as defined in the Continuing Disclosure Agreement (which include the Series 2019E Bonds), for so long as the State remains an "obligated person." Under the Continuing Disclosure 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 as described below.

(b) Annual Reports of the State. Pursuant to the Continuing Disclosure Agreement, the Comptroller will provide certain updated financial information and operating data to the MSRB annually. The Comptroller is not obligated to provide such financial and operating data more frequently than on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the State of the general type included in the Bond Appendix. The Comptroller will update and provide this information within 195 days after the end of each fiscal year of the State. The updated information provided by the Comptroller need 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.

(c) Event Notices of the Comptroller. Under the Continuing Disclosure Agreement, the Comptroller has also agreed to provide notice to the MSRB of any of the following events, with respect to the Series 2019E Bonds, in a timely manner and not more than ten (10) business days after occurrence of the event:

(i) incurrence of a Financial Obligation of the State, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the State, any of which affect security holders, if material; and

(ii) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the State, any of which reflect financial difficulties.

(d) Change in State Fiscal Year. The State's current fiscal year end is August 31. 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.

Section 12.02. Continuing Disclosure Undertaking of the Board.

(a) Annual Reports of the Board. The Board shall provide annually to the MSRB, within 195 days after the end of each Fiscal Year ending in or after 2019, financial information and operating data with respect to the Board and the State of the general type included in

Tables 1 and 2 and Appendix B the final Official Statement authorized by **Section 11.02**, being the information described in **Exhibit C** hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in **Exhibit C** 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.

(b) Event Notices of the Board. 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 2019E 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 2019E Bonds, or other material events affecting the tax status of the Series 2019E Bonds;
7. Modifications to rights of holders of the Series 2019E Bonds, if material;
8. Series 2019E Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Series 2019E 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 U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if jurisdiction has been assumed by leaving the Board and officials or officers of the Board in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board. 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 12.02(a) by the time required by such Section.

(c) **Change in Board Fiscal Year.** 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.

Section 12.03. Incorporation by Reference. 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 12.04. Limitations, Disclaimers, and Amendments. The Board shall be obligated to observe and perform the covenants specified in this ARTICLE for so long as, but only for so long as, the Board or the State remains an “obligated person” with respect to the Series 2019E Bonds within the meaning of the Rule, except that the Board in any event will give the notice required by Section 12.02(b) of any Series 2019E Bond calls and defeasance that cause the Board and the State to be no longer “obligated persons”.

The provisions of this ARTICLE are for the sole benefit of the holders and beneficial owners of the Series 2019E Bonds, and nothing in this ARTICLE, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other Person. The Board undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this ARTICLE and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Board’s or the State’s financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this ARTICLE or otherwise, except as expressly provided herein. The Board does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Series 2019E Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE BOARD BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY SERIES 2019E BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE BOARD, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY

SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

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

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

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

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

The provisions of this ARTICLE may be amended by the Board from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Board or the State, but only if (1) the provisions of this ARTICLE, as so amended, would have permitted an underwriter to purchase or sell Series 2019E Bonds in the primary offering of the Series 2019E 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 maturity amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding Series 2019E 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 2019E Bonds. If the Board so amends the provisions of this ARTICLE, it shall include with any amended financial information or operating data next provided in accordance with Section 12.02(a) 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 2019E Bonds in the primary offering of the Series 2019E Bonds.

ARTICLE XIII

DEFEASANCE

Section 13.01. Series 2019E Bonds Deemed Paid. Any Series 2019E 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 XIII, when payment of the principal of such Series 2019E Bond, plus interest thereon to the due date (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 2019E Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Series 2019E 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 13.02. 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 2019E 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 13.01. 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 13.03. 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 13.04. Selection of Series 2019E Bonds for Defeasance. In the event that the Board elects to defease less than all of the principal amount of Series 2019E Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Series 2019E Bonds by such random method as it deems fair and appropriate and consistent with the terms of this Resolution.

ARTICLE XIV

MATTERS RELATING TO THE REFUNDED BONDS

Section 14.01. 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 produce a net present value savings and it provides additional program efficiency by giving the Board the flexibility to possibly repay its outstanding debt in the event of the early repayment of the underlying loans made by the Board from such Refunded Bonds proceeds. An Authorized Representative shall execute and deliver an Approval Certificate setting forth the amount of net present value savings realized as a result of the refunding of the Refunded Bonds with the Subseries 2019E-1 Bonds, evidencing that any minimum savings threshold established in Section 2.01(c) of this Resolution has been met. To the extent Subseries 2019E-2 Bonds are issued, they will be issued as variable rate obligations; and therefore, the Board hereby finds and determines that the manner in which any refunding associated with the issuance of the Subseries 2019E-2 Bonds does not make it practicable to make the determinations otherwise required by Texas Government Code, Section 1207.008(a)(2), as amended.

Section 14.02. Escrow Agreement.

The Escrow Agreement, in substantially the form attached to the Approval Certificate, is hereby approved by the Board, and the Executive Administrator or other Authorized Representative is hereby authorized to execute and deliver the same on behalf of the Board. The redemption, discharge and defeasance of the Refunded Bonds shall be effected pursuant to the terms and provisions of the Escrow Agreement in substantially the form approved by the Approval Certificate, the terms and provisions of which are hereby approved, subject to such insertions, additions and modifications as shall be necessary (a) to provide that the sufficiency of the Escrow Fund shall be certified as to mathematical accuracy in a sufficiency certificate or a report prepared by a nationally recognized firm acceptable to the Board, its financial advisors and the Escrow Agent with respect to the adequacy of the escrowed securities referred to in the Escrow Agreement to pay, when due, the principal of, interest on, and any call premium requirements on the Refunded Bonds, (b) to comply with all applicable laws and regulations relating to the refunding of the Refunded Bonds, (c) to carry out the other intents and purposes of this Resolution, and (d) to comply with the terms set forth in the Approval Certificate.

Section 14.03. Purchase of United States Treasury Obligations.

In order to assure the purchase of any escrowed securities to be held pursuant to the Escrow Agreement, the Executive Administrator or other Authorized Representative is hereby authorized to make necessary arrangements for the subscription and purchase of, such obligations of the United States of America, or other securities or investments as may be permitted under State law and applicable federal tax law, in such amounts, maturities, and bearing interest at such rates as may be provided for in the sufficiency certificate or report referred to in Section 14.02, and the Executive Administrator or other Authorized Representative is authorized, either prior to Closing or after the date thereof, to execute any and all subscriptions, purchase contracts, forward purchase contracts, commitments, letters of authorization, and other documents necessary or desirable, in the judgment of the Executive Administrator or other Authorized Representative, to effect the foregoing, and any actions heretofore taken by the Executive Administrator or other Authorized Representative for such purpose are hereby ratified and approved.

Section 14.04. Redemption of Refunded Bonds. Upon issuance of the Series 2019E Bonds, the Refunded Bonds identified in the Approval Certificate to be redeemed are hereby declared to be called for redemption on the redemption date or dates identified in the Approval Certificate, consistent with the provisions set forth in the respective proceedings authorizing their issuance with respect to the redemption of bonds at the option of the Board. In connection with the prior redemption of any of the Refunded Bonds as may be provided for in the Approval Certificate, the Authorized Representative is hereby directed to coordinate with the Escrow Agent to give notice of such redemption, in substantially the form attached to the Approval Certificate, in accordance with the applicable terms of the resolution that authorized such series of 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 escrowed to maturity or prior redemption.

Section 14.05. Escrow Fund.

The Board hereby establishes the Escrow Fund to be maintained by the Escrow Agent for application as provided in the Escrow Agreement. The Escrow Fund is hereby established and shall be created and maintained by the Escrow Agent for application as provided in the Escrow Agreement.

Section 14.06. Transfer of Funds.

The Board shall allocate remaining money in each of the interest and sinking funds and/or project funds for each series of Refunded Bonds to the series or subseries of Series 2019E Bonds which refund such bonds and transfer such funds to the applicable Interest and Sinking Fund or the applicable escrow account within the Escrow Fund as may be determined by the Board pursuant to federal income tax law requirements.

ARTICLE XV

MISCELLANEOUS PROVISIONS

Section 15.01. Further Procedures. The Chairman, the Executive Administrator, the Development Fund Manager, the General Counsel, 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 2019E Bonds. In addition, prior to the initial delivery of the Series 2019E Bonds, the Chairman, the Executive Administrator, the 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 2019E 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 15.02. 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 15.03. Prior Actions. All actions taken by the Board authorizing the issuance of the Series 2019E 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 15.04. Perfection of Security Interest in Pledge. Chapter 1208 applies to the issuance of the Series 2019E 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 2019E 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 2019E 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.

[Remainder of Page Intentionally Left Blank]

ADOPTED AND APPROVED this the 23rd day of April, 2019.

Peter M. Lake, Chairman
Texas Water Development Board

ATTEST:

Jeff Walker, Executive Administrator
Texas Water Development Board

(SEAL)

SCHEDULE I

LIST OF REFUNDABLE BONDS

State of Texas Water Financial Assistance Bonds, Series 2009E
(Waster Infrastructure Fund)

State of Texas Water Financial Assistance Bonds, Series 2010B

LIST OF EXHIBITS

Exhibit A-1	Form of Fixed Rate Bond
Exhibit A-2	Form of Variable Rate Bond
Exhibit B	Paying Agent/Registrar Agreement
Exhibit C	Description of Annual Financial Information of the Board
Exhibit D	Tender Agent Agreement

EXHIBIT A-1

FORM OF FIXED RATE BOND:

NO. _____

\$ _____

UNITED STATES OF AMERICA
 STATE OF TEXAS
 WATER FINANCIAL ASSISTANCE REFUNDING BOND
 SUBSERIES 2019E-1

<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>DATED DATE</u>	<u>CUSIP</u>
	%	_____, 2019	

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, 20[20], 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 August 1, 20[19], such interest is payable semiannually on each February 1 and August 1 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 Subseries 2019E-1 Bonds when due.

Interest on the Subseries 2019E-1 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 Subseries 2019E-1 Bonds is determined only by a book entry at a securities depository for the Subseries 2019E-1 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 _____ (\$ _____) (the "Subseries 2019E-1 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") 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 refunding the Refunded Bonds, and to pay expenses arising in connection with the issuance of the Subseries 2019E-1 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 Subseries 2019E-1 Bonds through the execution of one or more Approval Certificates (the Bond Resolution and applicable 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 SUBSERIES 2019E-1 BONDS are not subject to redemption at the option of the Board prior to maturity.

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 Subseries 2019E-1 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 Subseries 2019E-1 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 Subseries 2019E-1 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 Subseries 2019E-1 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 Subseries 2019E-1 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 or Section 49-d-9 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 (as defined in the Resolution) 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.

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 Comptroller of Public Accounts of the State of Texas.

**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)
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 Subseries 2019E-1 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 REFUNDING BOND
SUBSERIES 2019E-1

Bond Date:
_____, 2019

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</u> <u>Stated Maturity</u>	<u>Principal</u> <u>Amount (\$)</u>	<u>Interest</u> <u>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, 20[20], and each February 1 and August 1 thereafter, until maturity. Principal installments of this Subseries 2019E-1 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 "Security Register" 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 Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. 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.

EXHIBIT A-2

FORM OF VARIABLE RATE BOND

[The Initial Subseries 2019E-2 Bond shall be numbered T-1]

NO. _____ \$ _____

UNITED STATES OF AMERICA
 STATE OF TEXAS
 WATER FINANCIAL ASSISTANCE REFUNDING BOND
 SUBSERIES 2019E-2

MATURITY DATE	INTEREST RATE	DATED DATE	CUSIP
	Variable	_____, 2019	

Registered Owner:

Principal Amount:

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"), on the Stated Maturity date specified above the Principal Amount hereinabove stated (or so much thereof as shall not have been paid upon prior redemption) and to pay interest on the unpaid principal amount hereof from the later of the date of delivery shown above or the most recent Interest Payment Date to which interest has been paid or provided for. Interest shall accrue from the Date of Delivery.

Interest on this Subseries 2019E-2 Bond is payable to the registered owner hereof by check, dated as of the Interest Payment Date, and sent by first-class mail, postage prepaid, by the Paying Agent/Registrar to each Owner at the address shown on the Registration Books or by such other customary banking arrangement acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of the Owner. The principal hereof is payable upon presentation and surrender of this Subseries 2019E-2 Bond at the designated office of The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as initial Paying Agent/Registrar, or any successor Paying Agent/Registrar.

For the purpose of the payment of interest on this Subseries 2019E-2 Bond, the registered owner shall be the person in whose name this Subseries 2019E-2 Bond is registered on the record date, which shall be the close of business on the fifteenth day of the month immediately preceding such Interest Payment Date.

As used herein, *Interest Payment Date* shall mean (i) with respect to Subseries 2019E-2 Bonds during the Initial Rate Period, each _____ and _____, commencing _____, ____; (ii) with respect to Subseries 2019E-2 Bonds bearing interest at the Term Rate, the first day of the sixth calendar month following the month in which the Term Rate Conversion Date occurs and the first day of each sixth month thereafter; (iii) with respect to Subseries 2019E-2 Bonds bearing interest at the Fixed Rate, each February 1 and August 1, beginning on the first such date occurring after the Fixed Rate Conversion Date and (iv) each mandatory tender date during any Stepped Rate Period.

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 Subseries 2019E-2 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.

THIS SUBSERIES 2019E-2 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 Subseries 2019E-2 Bond specified above, aggregating _____ Dollars (\$ _____) (the "Subseries 2019E-2 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") 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 refunding the Refunded Bonds, and to pay expenses arising in connection with the issuance of the Subseries 2019E-2 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 Subseries 2019E-2 Bonds through the execution of one or more Approval Certificates (the Bond Resolution and applicable 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..

This Subseries 2019E-2 Bond shall not be valid or obligatory for any purpose unless it is registered by the Comptroller of Public Accounts of Texas by certificate affixed or attached hereto or authenticated by the Paying Agent/Registrar by due execution of the Authentication Certificate provided herein.

Even though initially issued and from time to time Outstanding in a Variable Rate (defined herein) mode, the Subseries 2019E-2 Bonds are not benefited by a third-party liquidity and are not subject to optional tender by the Holders thereof.

INTEREST PROVISIONS

This Subseries 2019E-2 Bond bears interest at an Initial Rate or a Term Rate (each a "Variable Rate") or a Fixed Rate.

This Subseries 2019E-2 Bond initially shall bear interest at the Initial Rate per annum from the Date of Delivery stated above through _____ (the "Initial Rate Period"). The Subseries 2019E-2 Bonds shall be subject to mandatory tender, without right of retention by the owners thereof, on _____ and shall be tendered to the Remarketing Agent against payment therefor. Thereafter, this Subseries 2019E-2 Bond shall bear interest at a Term Rate until converted to a Fixed Rate Period during which it shall bear interest at a Fixed Rate.

The rate of interest applicable to any Initial Rate Period or Term Rate Period shall be determined in accordance with the applicable provisions of the Resolution and, with respect to

Term Rate Periods, pursuant to the terms of the Remarketing Agreement between the Board and the Remarketing Agent named by the Board from time to time under the Resolution (the "Remarketing Agent").

Interest on the Subseries 2019E-2 Bonds shall be computed on the basis of a 360-day year of twelve 30-day months.

The Subseries 2019E-2 Bonds may bear interest from time to time, at the Initial Rate or at Term Rates established in accordance with the Resolution. While the Subseries 2019E-2 Bonds bear interest at a Term Rate, the interest rate determined will remain in effect for a term of one year or any whole multiple of one year selected in accordance with the Resolution. At the option of the Board, the Subseries 2019E-2 Bonds bearing interest at a Variable Rate may be converted in whole or in part to bear interest at a Fixed Rate or Fixed Rates to the Maturity Date.

An interest rate mode will remain in effect until changed. During each Term Rate Period, and unless otherwise established by the Board, the rate of interest on the Subseries 2019E-2 Bonds shall be that rate which, in the determination of the Remarketing Agent, if borne by the Subseries 2019E-2 Bonds on the date of such determination under prevailing market conditions, would result in the market value of the Subseries 2019E-2 Bonds being equal to not less than 100% of the principal amount thereof. If the Remarketing Agent is unable, or fails, to determine the Term Rate, the Term Rate shall remain that in effect for the then current Term Rate Period. The provisions of this Subseries 2019E-2 Bond, including, but not limited to this paragraph, are limited in all respects to those provisions of the Resolution which limit the interest rate on the Subseries 2019E-2 Bonds to the Highest Rate.

Subseries 2019E-2 Bonds Rate will be issued in denominations of \$5,000 and integral multiples thereof.

WRITTEN NOTICE OF RATE MODE CHANGE

While the Subseries 2019E-2 Bonds bear interest at a Variable Rate, the Paying Agent/Registrar shall give notice to the registered owners of the conversion from one interest rate mode to another at the times described in the Resolution. ANY REGISTERED OWNER OF BONDS WHO MAY BE UNABLE TO TAKE TIMELY ACTION ON ANY NOTICE SHOULD CONSIDER WHETHER TO MAKE ARRANGEMENTS FOR ANOTHER PERSON TO ACT IN HIS OR HER STEAD. If a new interest rate mode for the Subseries 2019E-2 Bonds is not selected in a timely fashion in accordance with the Resolution, the interest rate mode then in effect will continue until changed by timely notice.

MANDATORY TENDER

While this Subseries 2019E-2 Bond bears interest at a Variable Rate, this Subseries 2019E-2 Bond is subject to mandatory tender for purchase by the Tender Agent, at a Purchase Price equal to the principal amount hereof plus accrued interest hereon to the date of purchase, on the effective date of a change from one interest rate mode to a different interest rate mode.

The Subseries 2019E-2 Bonds are subject to mandatory tender for purchase, without the right of Owners to retain Subseries 2019E-2 Bonds, on the date specified in a notice to Owners, (i) on _____, which is the next business day immediately following the end of

the Initial Rate Period, (ii) on each subsequent Term Rate Conversion Date and (iii) on the day preceding the Fixed Rate Conversion Date.

FAILED REMARKETING

Initial Rate Period. In the event that this Subseries 2019E-2 Bond bears interest at an Initial Rate and it is not converted and remarketed to new purchasers on the scheduled date of mandatory tender, the Board shall have no obligation to purchase this Subseries 2019E-2 Bond tendered on such date, the failed conversion and remarketing shall not constitute an event of default under the Resolution or this Subseries 2019E-2 Bond, the mandatory tender will be deemed to have been rescinded for that date with respect to this Subseries 2019E-2 Bond, and this Subseries 2019E-2 Bond (i) will continue to be Outstanding, (ii) will be purchased upon the availability of funds to be received from the subsequent remarketing of this Subseries 2019E-2 Bond, (iii) will bear interest at the Stepped Rate during the Stepped Rate Period, (iv) will be subject to redemption and mandatory tender for purchase on any date during the Stepped Rate Period upon which a conversion occurs (which shall occur at the Board's discretion upon delivery of at least one day's notice to the holder hereof), and (v) will be deemed to continue in an Initial Rate Period for all other purposes of the Resolution, though bearing interest during such time at the Stepped Rate, until remarketed or redeemed in accordance with the terms of the Resolution. In the event of a failed conversion and remarketing as described above, the Board will cause this Subseries 2019E-2 Bond to be converted and remarketed on the earliest reasonably practical date on which it can be sold at par, in such interest rate mode or modes as the Board directs, at a rate not exceeding the Highest Rate.

Term Rate Periods. If this Subseries 2019E-2 Bond is subject to mandatory tender on the Term Rate Conversion Date because of conversion to a new Term Rate Period from an existing Term Rate Period, and this Subseries 2019E-2 Bond is not converted and remarketed to new purchasers on the scheduled date of mandatory tender because of a failed remarketing, then the Board shall have no obligation to purchase this Subseries 2019E-2 Bond tendered on such date, the failed conversion and remarketing shall not constitute an event of default under the Resolution or this Subseries 2019E-2 Bond, the mandatory tender will be deemed to have been rescinded for that date with respect to this Subseries 2019E-2 Bond, and this Subseries 2019E-2 Bond (i) will continue to be Outstanding, (ii) will be purchased upon the availability of funds to be received from the subsequent remarketing of this Subseries 2019E-2 Bond, (iii) will bear interest at the Stepped Rate during the Stepped Rate Period, (iv) will be subject to redemption and mandatory tender for purchase on any date during the Stepped Rate Period upon which a conversion occurs (which shall occur at the Board's discretion upon delivery of at least one day's notice to the holders thereof), and (v) will be deemed to continue in a Term Rate Period for all other purposes of this Resolution, though bearing interest during such time at the Stepped Rate until remarketed or redeemed in accordance with the terms of this Resolution. In the event of a failed conversion and remarketing as described above, the Board will cause this Subseries 2019E-2 Bond to be converted and remarketed on the earliest reasonably practical date on which it can be sold at par, in such interest rate mode or modes as the Board directs, at a rate not exceeding the Highest Rate.

UNDELIVERED BONDS

Subseries 2019E-2 Bonds which are required to be tendered by the Owners thereof for purchase by the Tender Agent but which are not in fact delivered for purchase on the date and at the time required and for which there has been deposited an amount sufficient to pay the Purchase Price thereof, shall cease to accrue interest on the tender date, and the Owner

thereof shall not be entitled to any payment other than the Purchase Price for such Bond. Such Bond shall no longer be Outstanding and entitled to the benefits of the Resolution, except for the payment of the Purchase Price from money held by the Tender Agent for such payment. On the tender date, the Tender Agent shall authenticate and deliver substitute Subseries 2019E-2 Bonds in lieu of such Undelivered Subseries 2019E-2 Bonds.

REDEMPTION PROVISIONS

Optional Redemption. The Subseries 2019E-2 Bonds shall be subject to redemption prior to maturity, at the option of the Board, in whole or in part, in Authorized Denominations, on _____, or on any date thereafter and on any date the Subseries 2019E-2 Bonds bear interest at a Stepped Rate, at the redemption price of par plus accrued interest to the date of redemption.

Subseries 2019E-2 Bonds bearing interest at a Stepped Rate are subject to redemption, in whole or in part, at the option of the Board, on any date at a redemption price equal to the principal amount thereof plus interest accrued thereon at the Stepped Rate to the redemption date.

The Board shall deliver notice to the Paying Agent/Registrar of its intention to redeem Subseries 2019E-2 Bonds, which notice shall specify the principal amount of the Subseries 2019E-2 Bonds to be redeemed (i) with respect to Subseries 2019E-2 Bonds bearing interest at a Stepped Rate, at least two (2) days prior to the redemption date and (ii) with respect to Subseries 2019E-2 Bonds bearing interest at a Term Rate or at Fixed Rates, at least forty-five (45) days prior to the redemption date (or such shorter period acceptable to the Paying Agent/Registrar).

Scheduled Mandatory Redemption. The Subseries 2019E-2 Bonds are subject to mandatory sinking fund redemption by the Board prior to their scheduled maturity (but not during the Initial Rate Period) at a redemption price of par plus accrued interest to the date fixed for redemption, on August 1 in each of the years and in the principal amounts indicated below:

Subseries 2019E-2 Bonds

<u>Year (August 1)</u>	<u>Amount (\$)</u>	<u>Year (August 1)</u>	<u>Amount (\$)</u>
------------------------	--------------------	------------------------	--------------------

The principal amount of Subseries 2019E-2 Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the Board, by the principal amount of any Subseries 2019E-2 Bonds which, at least 50 days prior to the mandatory redemption date (1) shall have been acquired by the Board at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions set forth in above and not theretofor credited against a mandatory redemption requirement.

Notice of optional and scheduled mandatory redemption shall be given by first-class mail, postage prepaid, (i) with respect to Subseries 2019E-2 Bonds bearing interest at a Stepped Rate, at least 1 day prior to the redemption date and (ii) with respect to Subseries 2019E-2 Bonds bearing interest at a Term Rate or Fixed Rate, at least thirty (30) days before the date fixed for redemption, to the Owner of each Bond to be redeemed in whole or in part. Notice having been so given, the Subseries 2019E-2 Bonds or portions thereof designated for redemption shall become due and payable on the redemption date specified in such notice; from and after such date, notwithstanding that any of the Subseries 2019E-2 Bonds or portions thereof so called for redemption shall not have been surrendered for payment, interest on such Subseries 2019E-2 Bonds or portions thereof shall cease to accrue.

GENERAL PROVISIONS

As provided in the Resolution, and subject to certain limitations therein set forth, this Subseries 2019E-2 Bond is transferable upon surrender of this Subseries 2019E-2 Bond for transfer at the designated office of the Paying Agent/Registrar with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar; thereupon, one or more new fully registered Subseries 2019E-2 Bonds of the same stated maturity and interest rate mode, of Authorized Denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

DELIVERY OF NOTICES AND BONDS

Any Subseries 2019E-2 Bonds required to be delivered to the Tender Agent for purchase, and any notices required to be delivered to the Tender Agent hereunder shall be delivered to: The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

Subseries 2019E-2 Bonds required to be tendered for purchase shall be delivered to the Tender Agent prior to 5:00 p.m. on the Business Day next preceding the date of purchase.

The Board will identify the Remarketing Agent for the Subseries 2019E-2 Bonds in the order authorizing any conversion following the Initial Rate Period.

THIS SUBSERIES 2019E-2 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 Bonds, upon the terms and conditions set forth in the Resolution. Among other requirements for such assignment and transfer, this Subseries 2019E-2 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 Subseries 2019E-2 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 Subseries 2019E-2 Bond, shall be delivered by the Paying Agent/Registrar in conversion of and exchange for this Subseries 2019E-2 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 Subseries 2019E-2 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 Subseries 2019E-2 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 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 Subseries 2019E-2 Bond is determined by a book entry at a securities depository for the Bonds, the foregoing requirements of holding, delivering or transferring this Subseries 2019E-2 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 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 Bonds.

BY BECOMING the registered owner of this Subseries 2019E-2 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 Subseries 2019E-2 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 Subseries 2019E-2 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 Subseries 2019E-2 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 Subseries 2019E-2 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 or Section 49-d-9 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 (as defined in the Resolution) 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 Subseries 2019E-2 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 Subseries 2019E-2 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.

[The remainder of this page intentionally left blank.]

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 Subseries 2019E-2 Bond has been issued under the provisions of the Resolution described on the face of this Subseries 2019E-2 Bond; and that this Subseries 2019E-2 Bond has been issued in conversion of and exchange for or replacement of a Bond, Bonds or a portion of a Bond or Bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, 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)
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)

EXHIBIT B
PAYING AGENT/REGISTRAR AGREEMENT

See Attached

EXHIBIT C

**DESCRIPTION OF ANNUAL FINANCIAL INFORMATION
OF THE BOARD**

The following information is referred to in Section 12.02 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 the quantitative financial information and operating data pertaining to the Board included in Tables 1 and 2 of the Official Statement and in Appendix B to the Official Statement relating to the Bonds.

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 D
TENDER AGENT AGREEMENT

See Attached

**BOND RESOLUTION
OF THE**

TEXAS WATER DEVELOPMENT BOARD

AUTHORIZING THE ISSUANCE OF

**STATE OF TEXAS
WATER FINANCIAL ASSISTANCE REFUNDING BONDS,
SERIES 2019F
(ECONOMICALLY DISTRESSED AREAS PROGRAM)**

ADOPTED:

April 23, 2019

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I	
DEFINITIONS AND INTERPRETATIONS	
Section 1.01.	Definitions.....2
Section 1.02.	Rules of Construction7
Section 1.03.	Interpretations.....8
ARTICLE II	
THE SERIES 2019F BONDS	
Section 2.01.	Authorization of Bonds9
Section 2.02.	Denominations, Date and Interest Rates.....10
Section 2.03.	Maturities and Amounts.....10
Section 2.04.	Execution of Bonds.....10
Section 2.05.	Temporary Bonds11
Section 2.06.	Appointment and Duties of Paying Agent/Registrar11
Section 2.07.	Registration, Transfer and Exchange of Bonds12
Section 2.08.	Owners of Bonds14
Section 2.09.	Damaged, Mutilated, Lost, Stolen or Destroyed Bonds.....14
Section 2.10.	Successor Paying Agent/Registrars15
Section 2.11.	Book-Entry-Only System15
Section 2.12.	All Bonds On Parity16
ARTICLE III	
REDEMPTION OF BONDS BEFORE MATURITY	
Section 3.01.	Limitation on Redemption.....17
Section 3.02.	Optional and Mandatory Redemption.....17
Section 3.03.	Notice of Redemption17
Section 3.04.	Payment Upon Redemption18
Section 3.05.	Effect of Redemption18
ARTICLE IV	
FORM OF BONDS AND CERTIFICATES	
Section 4.01.	Form of Bond and Certificates.....19
Section 4.02.	Opinion of Bond Counsel.....19
Section 4.03.	Printing of Statement of Insurance19
ARTICLE V	
SECURITY AND PAYMENT OF BONDS; ESTABLISHMENT AND FLOW OF FUNDS	
Section 5.01.	General Obligations.....20
Section 5.02.	Confirmation of Texas Water Development Fund II20
Section 5.03.	Confirmation of Constitutional and Statutory Funds20
Section 5.04.	Flow of Funds For Debt Service21
Section 5.05.	Constitutional Provisions for Debt Payment22
Section 5.06.	Deposit and Transfer of Funds - Duties of Comptroller22
Section 5.07.	Payment of Bonds23
Section 5.08.	Cooperation with State Officers.....23

Section 5.09.	Investment of Funds	23
---------------	---------------------------	----

**ARTICLE VI
COVENANTS AND REMEDIES**

Section 6.01.	Special Covenant	24
Section 6.02.	Covenants to Maintain Tax-Exempt Status	24
Section 6.03.	Creation of Accounts and Subaccounts	27
Section 6.04.	Remedies of Bondholders	28
Section 6.05.	Bond Enhancement Agreements.....	28

**ARTICLE VII
SUPPLEMENTS AND AMENDMENTS**

Section 7.01.	Amendment of Resolution with Consent of Registered Owners.....	29
Section 7.02.	Amendment of Resolution Without Consent of Registered Owners	30
Section 7.03.	Effect of Amendatory Resolutions	31
Section 7.04.	Bonds May Bear Notation.....	32

**ARTICLE VIII
PROVISIONS CONCERNING SALE OF BONDS**

Section 8.01.	Issuance and Sale of Bonds.....	33
Section 8.02.	Official Statement	33
Section 8.03.	Custody of Bonds	34
Section 8.04.	Use of Bond Proceeds.....	34

**ARTICLE IX
CONTINUING DISCLOSURE UNDERTAKING**

Section 9.01.	Continuing Disclosure Undertaking of the Comptroller.....	35
Section 9.02.	Continuing Disclosure Undertaking of the Board.....	35
Section 9.03.	Incorporation by Reference	37
Section 9.04.	Limitations, Disclaimers, and Amendments.....	37

**ARTICLE X
DEFEASANCE**

Section 10.01.	Series 2019F Bonds Deemed Paid	39
Section 10.02.	Investment in Defeasance Securities	39
Section 10.03.	Paying Agent/Registrar Services	39
Section 10.04.	Selection of Series 2019F Bonds for Defeasance	40

**ARTICLE XI
MATTERS RELATING TO THE REFUNDED BONDS**

Section 11.01.	Purpose for Refunding.....	41
Section 11.02.	Escrow Agreement	41
Section 11.03.	Purchase of United States Treasury Obligations.....	41
Section 11.04.	Redemption of Refunded Bonds	41
Section 11.05.	Escrow Fund.....	42
Section 11.06.	Transfer of Funds	42

**ARTICLE XII
MISCELLANEOUS PROVISIONS**

Section 12.01.	Further Procedures.....	43
Section 12.02.	Open Meeting; Notice.....	43
Section 12.03.	Prior Actions	43
Section 12.04.	Perfection of Security Interest in Pledge	43
Exhibit A	Form of Bond.....	A-1
Exhibit B	Paying Agent/Registrar Agreement.....	B-1
Exhibit C	Description of Annual Financial Information of the Board	C-1

RESOLUTION

OF THE TEXAS WATER DEVELOPMENT BOARD AUTHORIZING THE ISSUANCE OF STATE OF TEXAS WATER FINANCIAL ASSISTANCE REFUNDING BONDS, SERIES 2019F (ECONOMICALLY DISTRESSED AREAS PROGRAM), 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, in furtherance of the purposes set forth in Section 49-d-8, Section 49-d-9 of Article III of the State Constitution ("**Section 49-d-9**"), 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 State as described in "**Schedule I**" attached to this Resolution and incorporated herein by reference (collectively referred to as the "**Refundable Bonds**"); and

WHEREAS, in addition to bonds authorized by other provisions of the State Constitution, 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 of the State, 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 under Section 49-d-11 that are outstanding at any time does not exceed \$6,000,000,000; and

WHEREAS, Section 49-d-11 states 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 aggregate principal amount of previously authorized bonds 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, since the Refundable Bonds were not originally authorized by Section 49-d-11, bonds issued to refund such bonds would not count against the authorization established by Section 49-d-11; and

WHEREAS, current market conditions are favorable to achieve debt service savings if the Board were to refund some or all of the Refundable Bonds; and

WHEREAS, the Board finds it advisable and determines that it is a public purpose and in the best interests of the State, in accordance with authority granted by Section 49-d-8, Section 49-d-9, and the Act, to authorize the refunding of all or a portion of the Refundable Bonds in accordance with Chapter 1207 and Chapter 1371 (hereinafter defined), subject to the parameters set forth in this Resolution, as hereinafter provided.

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 A** 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 executed by an Authorized Representative in accordance with the terms hereof which finalize the pricing and terms of the Series 2019F 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, and the Development Fund Manager and the General Counsel of the Board, acting individually and not jointly.

“Board” means the Texas Water Development Board.

“Bond Appendix” means the quarterly appendix prepared by the Comptroller 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.

“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.

“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 2019F 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 the Series 2019F Bonds, which are part of the same “issue,” as defined in section 1.150-1(c) of the Regulations, as the Series 2019F Bonds.

“**Comptroller**” means the Comptroller of Public Accounts of the State.

“**Continuing Disclosure Agreement**” means the Amended and Restated Continuing Disclosure Agreement dated March 12, 2019, between the Comptroller and the Texas Bond Review Board, as may be further amended from time to time.

“**Dated Date**” shall mean the date designated in the Approval Certificate as such with respect to the Series 2019F Bonds.

“**Date of Delivery**” means the date of initial delivery of the Series 2019F Bonds to the Underwriters.

“**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 2019F Bonds, are rated as to investment quality by a nationally-recognized investment rating firm not less than “AAA” or its equivalent, and (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 2019F 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 2019F 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 2019F Bonds, initially, the corporate trust office of the Paying Agent/Registrar in Dallas, Texas.

“**Development Fund I**” means the Texas Water Development Fund as described in the Development Fund I Constitution Provisions.

“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, as further described and defined in Section 5.03 hereof.

“EDAP Bonds” means the general obligation bonds of the State issued by the Board under authority granted by Section 49-d-8 and Section 49-d-11 to provide funds for the Economically Distressed Areas Program Account of Development Fund II, including the Previously Issued EDAP Bonds and the Series 2019F Bonds.

“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 Agent” means the Bank of New York Mellon Trust Company, N.A., as escrow agent under the Escrow Agreement and any successor thereto as therein permitted.

“Escrow Agreement” means an escrow agreement, deposit agreement, escrow instructions or other comparable document (including any amendments thereto) between the Board and the Escrow Agent providing for the payment of the Refunded Bonds, in substantially the form approved by the Approval Certificate.

“Escrow Fund” means each escrow fund created with respect to the Refunded Bonds pursuant to the Escrow Agreement

“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.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of any such debt obligation or any such derivative instrument; provided that “Financial Obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The Board and the Comptroller intend the words used in this definition to have the same

meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

“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 A**.

“GASB” means the Governmental Accounting Standards Board.

“Holder” or **“Owner”** shall mean the person who is the registered owner of a Series 2019F Bond as shown on the Registration Books.

“Initial Bond” means the Series 2019F 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 2019F 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 Economically Distressed Areas Program 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 Economically Distressed Areas Program Account from Development Fund I pursuant to Subsection (b) of Section 49-d-8; and
- (5) money deposited in the Economically Distressed Areas Program Account pursuant to Subsection (c) of Section 49-d-8.

“MSRB” means the Municipal Securities Rulemaking Board.

“Official Statement” means the Official Statement pertaining to the Series 2019F Bonds, and authorized by Section 8.02 hereof.

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

“Owner” or **“Holder”** shall mean the person who is the registered owner of a Series 2019F Bond as shown on the Registration Books.

“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 2019F 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 EDAP Bonds” means bonds previously issued to provide funds for the Economically Distressed Areas Program Account and any refunding bonds issued in replacement thereof, including, but not limited to, the currently Outstanding EDAP Bonds identified as being issued for EDAP Projects in Schedule I.

“Purchase Agreement” means the bond purchase agreement between the Board and the Underwriters relating to the sale of the Series 2019F Bonds.

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

“Refunded Bonds” means those Refundable Bonds selected by the Authorized Representative to be refunded with the proceeds of the Series 2019F 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 2019F 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” means Section 49-d-8 of Article III of the State Constitution.

“Section 49-d-9” means Section 49-d-9 of Article III of the State Constitution.

“Section 49-d-10” means Section 49-d-10 of Article III of the State Constitution.

“Section 49-d-11” means Section 49-d-11 of Article III of the State Constitution.

“Series 2019F Bonds” means the State of Texas Water Financial Assistance Refunding Bonds, Series 2019F (Economically Distressed Areas Program), 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 2019F Bonds so designated by the Board herein or in the Approval Certificate.

“Underwriters” means the investment banking firms that contract to purchase the Series 2019F 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.

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 A**.

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 2019F BONDS

Section 2.01. Authorization of Bonds.

(a) Purpose; Maximum Amount. For the purposes set forth in Section 49-d-8, Section 49-d-9, and Section 49-d-10, the negotiable general obligation bonds of the State to be known and designated as **STATE OF TEXAS WATER FINANCIAL ASSISTANCE REFUNDING BONDS, SERIES 2019F (ECONOMICALLY DISTRESSED AREAS PROGRAM)**, are hereby authorized and may be issued, from time to time, for the purpose of providing funds for conserving and developing the water resources of the State, to-wit, to provide funds for the refunding of the Refunded Bonds, and paying expenses arising in connection with the issuance of the Series 2019F Bonds. The combined principal amount of all series or subseries of Common Issue Bonds shall not exceed \$250,000,000.

(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 2019F 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 2019F 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 2019F Bonds;

(iv) the principal amount of the Series 2019F 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 of Series 2019F Bonds;

(v) the price at which the Series 2019F Bonds shall be sold;

(vi) the principal amount of Series 2019F Bonds to be sold as current interest bonds, if any; and the principal amount of Series 2019F Bonds to be sold as premium capital appreciation bonds, if any;

(vii) the principal amortization schedule for the Series 2019F Bonds (including, without limitation, the designation of any of the maturities of the Series 2019F 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 2019F Bonds (including any associated premium);

(ix) the rate or rates of interest to be borne by the Series 2019F Bonds;

(x) whether to acquire a Bond Enhancement Agreement in support of all or any portion of the Series 2019F Bonds; and

(xi) any other matters relating to the issuance, sale and delivery of the Series 2019F 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 refunding of any or all of the bonds included in the definition of Refundable Bonds to be refunded, so long as on the date the Purchase Agreement is executed:

(i) the net present value savings realized as a result of refunding of all or a portion of the principal amount of the Refunded Bonds with the Series 2019F Bonds is not less than two percent (2.00%);

(ii) the maximum maturity of the Series 2019F Bonds issued hereunder shall not exceed the maximum maturity date of the Refunded Bonds being refunded by such series;

(iii) subject to the limitation specified in Section 2.01(a) above with respect to all Common Issue Bonds, the maximum par amount of the Series 2019F Bonds, aggregating all related subseries, shall not exceed the maximum par amount of the Refunded Bonds being refunded by the Series 2019F Bonds;

(iv) the true interest cost rate or rates applicable to the Series 2019F Bonds shall not exceed 6.0%; and

(v) the final series of Series 2019F Bonds issued hereunder must be sold no later than April 22, 2020 (though the closing of a particular series of Series 2019F Bonds sold in accordance with this provision may occur after such date as 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 2019F 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** with such changes and modifications as are set forth in the Approval Certificate. Interest on the Series 2019F Bonds shall be payable on the date or dates described in the Approval Certificate. The Series 2019F Bonds shall bear interest at the 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 2019F Bonds sold to the Underwriters.

Section 2.03. Maturities and Amounts. The Series 2019F 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 2019F 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 2019F Bond had been manually signed by such officers, and the seal had been manually impressed on each Series 2019F Bond.

In case any officer whose signature is on a Series 2019F 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 2019F Bond shall nevertheless be valid.

Section 2.05. Temporary Bonds. Pending the preparation of definitive Series 2019F Bonds, the Board may execute and, upon the Board's request, the Paying Agent/Registrar shall authenticate and deliver, one or more temporary Series 2019F Bonds substantially of the tenor of the definitive Series 2019F 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 2019F Bonds, as such officers executing such temporary Series 2019F Bonds may determine.

Until exchanged for Series 2019F Bonds in definitive form, such Series 2019F 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 2019F Bonds to the Paying Agent/Registrar, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor, definitive Series 2019F Bonds of the same maturity and aggregate principal amount and bearing or accruing interest at the same rate as the temporary Series 2019F Bonds surrendered. The exchange shall be made without any charge to any owner of Series 2019F 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 2019F 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 2019F 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 2019F Bond to which payments with respect to the Series 2019F 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 2019F Bonds, and to act as its agent to convert and exchange or replace Series 2019F 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 2019F Bonds, and of all conversions and exchanges of such Series 2019F Bonds, and all replacements of such Series 2019F 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 B**, 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 2019F Bond may be transferred on the Registration Books only upon presentation and surrender of such Series 2019F 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 2019F 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 2019F Bond or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Series 2019F Bond or any portion thereof, a new substitute Series 2019F Bond or Series 2019F 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 2019F Bonds in the manner prescribed herein is hereby imposed upon the Paying Agent/Registrar. Each Series 2019F Bond may be converted into and exchanged for fully registered Series 2019F Bonds in the manner set forth herein. Each Series 2019F 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 2019F 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 2019F 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 2019F 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 2019F Bond or Series 2019F 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 2019F Bond shall be redeemed prior to its scheduled maturity as provided herein, a substitute Series 2019F Bond or Series 2019F 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 2019F Bonds surrendered for conversion and exchange or replacement. If any Series 2019F Bond or portion thereof is assigned and transferred or converted, each Series 2019F 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 2019F 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 2019F Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution and delivery of the substitute Series 2019F Bonds in the manner prescribed herein. All Series 2019F Bonds issued in conversion and exchange or replacement of any other Series 2019F Bond or portion thereof (i) shall be issued in fully registered form with the principal of and interest on such Series 2019F 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 2019F 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 2019F Bonds, and in the manner required or indicated, in ARTICLE II of this Resolution. Each substitute Series 2019F Bond shall bear a letter and/or number to distinguish it from each other Series 2019F Bond. Each fully registered Series 2019F Bond delivered in conversion of and exchange for or replacement of any Series 2019F Bond or portion thereof as permitted or required by any provision of this Resolution shall constitute one of the Series 2019F Bonds for all purposes of this Resolution, and may again be converted and exchanged or replaced.

(d) Authentication Certificate. On each substitute Series 2019F Bond issued in conversion of and exchange for or replacement of any Series 2019F Bond or Series 2019F 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 2019F Bond, date and manually sign the Authentication Certificate, and no such Series 2019F 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 2019F 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 2019F 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 2019F Bonds and ending at the close of business on the day of such mailing or (ii) to transfer or exchange any Series 2019F 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 2019F Bonds, the Paying Agent/Registrar shall be required to transfer or exchange any such Series 2019F 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 2019F Bond issued in exchange for or upon transfer of the Series 2019F Bond so selected for redemption of an appropriate legend to the effect that such new Series 2019F Bond has been so selected for redemption.

(f) Payment of Fees. The registered owner of any Series 2019F 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 2019F 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 2019F 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 2019F 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 2019F 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 2019F Bonds, when due, and (ii) fees and charges of the Paying Agent/Registrar for services with respect to the transfer or registration of Series 2019F Bonds, and with respect to the conversion and exchange of Series 2019F Bonds solely to the extent above provided.

Section 2.08. Owners of Bonds. The Person in whose name any Series 2019F 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 2019F 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 2019F 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 2019F 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 2019F Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new Series 2019F Bond of the same principal amount, maturity date, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Series 2019F Bond, in replacement for such Series 2019F Bond in the manner hereinafter provided.

(b) **Application for Replacement.** Application for replacement of damaged, mutilated, lost, stolen, or destroyed Series 2019F Bonds shall be made to the Paying Agent/Registrar. In every case of loss, theft or destruction of a Series 2019F Bond, the applicant for a replacement Series 2019F 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 2019F 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 2019F Bond, as the case may be. In every case of damage or mutilation of a Series 2019F Bond, the applicant shall surrender to the Paying Agent/Registrar for cancellation the Series 2019F Bond so damaged or mutilated.

(c) **Payment in Lieu of Replacement.** Notwithstanding the foregoing provisions of this Section, in the event any such Series 2019F 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 2019F Bond, the Board may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Series 2019F Bond) instead of issuing a replacement Series 2019F 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 2019F Bond, the Paying Agent/Registrar shall charge the owner of such Series 2019F Bond with all legal, printing, and other expenses in connection therewith. Every replacement Series 2019F Bond issued pursuant to the provisions of this Section by virtue of the fact that any Series 2019F Bond is lost, stolen or destroyed shall constitute a contractual obligation of the Board whether the lost, stolen, or destroyed Series 2019F 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 2019F 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 2019F Bond without necessity of further action by the Board of any other Person, and the duty of the replacement of such Series 2019F Bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Series 2019F Bonds in the form and manner and with the effect, as provided in Section 2.07 for Series 2019F Bonds issued in conversion and exchange for other Series 2019F Bonds.

Section 2.10. Successor Paying Agent/Registrars. The Board covenants with the registered owners of the Series 2019F Bonds that at all times while the Series 2019F 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 2019F 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 2019F 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 2019F 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 2019F Bonds issued in exchange therefor shall be registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Series 2019F 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 2019F Bonds. Beneficial owners of Series 2019F Bonds will not receive physical delivery of Series 2019F Bond certificates except as provided hereinafter. For so long as DTC shall continue to serve as securities depository for the Series 2019F 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 2019F Bonds is to receive, hold or deliver any Series 2019F Bond certificate.

With respect to Series 2019F 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 2019F 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 2019F Bonds, (ii) the delivery to any DTC Participant or any other Person, other than a registered owner of the Series 2019F Bonds, as shown on the Registration Books, of any notice with respect to the Series 2019F 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 2019F Bonds, as shown in the Registration Books, of any amount with respect to principal of or premium, if any, or interest on the Series 2019F Bonds.

Replacement Series 2019F Bonds may be issued directly to beneficial owners of Series 2019F 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 2019F 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 2019F Bonds) that DTC is incapable of discharging its duties as securities depository for the Series 2019F Bonds; or (iii) the Board has determined (which determination is conclusive as to DTC and the beneficial owners of the Series 2019F Bonds) that the interests of the beneficial owners of the Series 2019F 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 2019F Bonds, in certificate form, to the beneficial owners of the Series 2019F 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 2019F Bonds of such determination by mailing an appropriate notice to DTC, it shall cause to be issued replacement Series 2019F Bonds in certificate form to beneficial owners of the Series 2019F Bonds as shown on the records of DTC provided to the Board.

Whenever, during the term of the Series 2019F Bonds, the beneficial ownership thereof is determined by a book entry at DTC, the requirements in this Resolution of holding, delivering or transferring Series 2019F 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 2019F 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 EDAP Bond shall be entitled to priority of payment over any other EDAP Bond in the application of any moneys made available by law for the payment thereof, irrespective of the fact that some of the EDAP Bonds may have been or may be delivered prior to the delivery of other EDAP Bonds, it being the intent of this Resolution that all EDAP Bonds shall rank equally with each other.

END OF ARTICLE II

[Remainder of this page intentionally left blank]

ARTICLE III
REDEMPTION OF BONDS BEFORE MATURITY

Section 3.01. Limitation on Redemption. Unless otherwise provided in the Approval Certificate, the Series 2019F 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 2019F Bonds for redemption may be modified in an Approval Certificate.

Section 3.02. Optional and Mandatory Redemption. The Series 2019F 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 2019F Bonds as provided for in the Approval Certificate.

Section 3.03. Notice of Redemption.

(a) The Paying Agent/Registrar shall record in the Registration Books all such redemptions of principal of the Series 2019F Bonds or any portion thereof. Notice of any redemption of the Series 2019F 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 2019F Bonds as set forth in the FORM OF BOND, the Paying Agent/Registrar shall give notice of redemption of the Series 2019F 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 2019F Bonds who has not sent the Series 2019F 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 2019F Bond.

(c) The Board reserves the right to give notice of its election to optionally redeem Series 2019F 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 2019F 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 2019F Bonds to be redeemed, including the complete name of the Series 2019F Bonds, the series, the date of issue, the

interest rate, the maturity date, the CUSIP number, if any, the amounts called of each Series 2019F 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 2019F 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 2019F Bonds shall include a CUSIP number relating to each amount paid to such registered owner.

(f) Should notice to call Series 2019F 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 2019F Bonds so called for redemption, no Series 2019F Bond shall be redeemed on the date fixed for redemption, and the notice of redemption for such Series 2019F Bonds shall be null and void. Such occurrence shall not result in default of the Board's payment obligations on the Series 2019F Bonds as provided herein or in the Series 2019F Bonds.

Section 3.04. 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. Effect of Redemption. (a) Notice of redemption having been given, and due provisions having been made for payment, the Series 2019F Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption; thereafter, such Series 2019F Bonds or portions thereof shall cease to bear interest from the date fixed for redemption, whether or not such Series 2019F 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 2019F Bonds, including the form of the Authentication Certificate and the form of Assignment to be printed on each of the Series 2019F 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 A**, with such appropriate variations, omissions or insertions as are permitted or required by this Resolution or the Approval Certificate. The Series 2019F 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 2019F Bonds, in the form in which it is to be delivered upon payment for the Series 2019F Bonds, either will be printed on the reverse side of or otherwise attached to the Series 2019F Bonds or will be delivered to DTC if the Series 2019F 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 2019F Bonds to print thereon any statement of insurance with respect to the Series 2019F Bonds furnished by any municipal bond insurance company insuring the Series 2019F Bonds.

END OF ARTICLE IV

ARTICLE V

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

Section 5.01. General Obligations. The EDAP Bonds shall constitute general obligations of the State pursuant to Section 49-d-8, 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 EDAP 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 Economically Distressed Areas Program 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) **Economically Distressed Areas Program Account.** Consistent with the Act and Section 49-d-8, the “Texas Water Development Fund II Economically Distressed Areas Program Account” (the “Economically Distressed Areas Program 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 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 Economically Distressed Areas Program Account;

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

(iv) investment income earned on money on deposit in the Economically Distressed Areas Program Account; and

(v) any other funds, regardless of their source, that the Board directs be deposited to the credit of the Economically Distressed Areas Program Account.

Except for those moneys that the Board determines are unavailable for such purpose, moneys on deposit in the Economically Distressed Areas Program Account shall be used to pay principal and interest on the Bonds. The Board may use moneys on deposit in the Economically Distressed Areas Program Account for EDAP Projects in any manner that the Board determines necessary for the administration of the Economically Distressed Areas Program 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 Economically Distressed Areas Program Account may also be used for payment of the expenses of the Board incurred in connection with the issuance of the EDAP 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 Economically Distressed Areas Program 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 Section 5.04 and Section 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.

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 EDAP Bonds is scheduled to become due and payable, the Board shall cause to be transferred, from the moneys available for such purpose in the Economically Distressed Areas Program 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 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 Economically Distressed Areas Program 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 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 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 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 Economically Distressed Areas Program Account may, at the direction of the Board, be used for all of the purposes for which the Board may expend moneys in the Economically Distressed Areas Program Account under Section 49-d-8.

(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 Economically Distressed Areas Program Account representing proceeds from a series of Bonds, prepayments of financial assistance provided from the Economically Distressed Areas Program 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 2019F 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 EDAP Bonds (including the Designated Payment/Transfer Office of the Paying Agent/Registrar for the Series 2019F Bonds) to pay principal of and interest on all EDAP 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 EDAP Bonds for payment prior to maturity. Remittances to the place of payment for the EDAP Bonds (including the Designated Payment/Transfer Office of the Paying Agent/Registrar for the Series 2019F Bonds) of money for payment of principal and interest or for redemption of EDAP 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 EDAP Bonds (including the Paying Agent/Registrar for the Series 2019F 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 EDAP Bonds (including the Designated Payment/Transfer Office of the Paying Agent/Registrar for the Series 2019F 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 EDAP Bonds (including the Designated Payment/Transfer Office of the Paying Agent/Registrar for the Series 2019F 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 EDAP 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 Economically Distressed Areas Program Account all money received from the repayment of obligations acquired from Political Subdivisions with moneys from the Economically Distressed Areas Program 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 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 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 Bonds are invested and which is not acquired to carry out the governmental purposes of the Common Issue 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 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.

“*Series 2019 Tax-Exempt Refunded Bonds*” means the bonds refunded by the Common Issue Bonds.

“*Yield*” of

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

(ii) the Common Issue 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 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 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 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 Bonds (including property financed or refinanced with Gross Proceeds of the Series 2019 Tax Exempt 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 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 Series 2019 Tax Exempt 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 Bonds and shall take any action necessary to assure that Gross Proceeds of the Common Issue 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 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 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 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 Bonds, the proceeds of which were used to make or refinance the making of such loans. The Board shall assure that Political Subdivisions, or any related persons thereto, will be prohibited from purchasing the Common Issue 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 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 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 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 Bond is discharged. However, to the extent permitted by law, the Board may commingle Gross Proceeds of the Common Issue Bonds with other money of the Board, provided that the Board separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(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 Bonds until six years after the final Computation Date.

(3) As additional consideration for the purchase of the Common Issue Bonds by the purchasers thereof 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 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 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 Bonds not been relevant to either party.

(l) 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 Bonds, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document.

(m) Common Issue Bonds Not Hedge Bonds.

(i) At the time the original bonds refunded by the Common Issue Bonds were issued, the Board reasonably expected that at least 85% of the spendable proceeds of such bonds would be spent within three years after such bonds were issued.

(ii) Not more than 50% of the proceeds of the original bonds refunded by the Common Issue Bonds were invested in Nonpurpose Investments having a substantially guaranteed Yield for a period of 4 years or more.

(n) Current Refunding. The Common Issue Bonds are being issued exclusively to pay and discharge in full the Series 2019 Tax-Exempt Refunded Bonds and such payment of the Series 2019 Tax-Exempt Refunded Bonds will occur within ninety (90) days after the issuance of the Common Issue 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 EDAP 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 EDAP 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 2019F 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 2019F Bonds aggregating in principal amount 51% of the aggregate principal amount or maturity amount, as the case may be, of the Series 2019F Bonds at the time Outstanding (but not including in any case Series 2019F 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 2019F Bonds so as to:

- (i) make any change in the maturity of any of the Series 2019F Bonds;
- (ii) reduce the rate of interest borne by any of the Series 2019F Bonds;
- (iii) reduce the principal amount, or maturity amount, as applicable, payable on any of the Series 2019F Bonds;
- (iv) modify the terms of payment of principal of or interest on or maturity amount, as applicable, any Series 2019F Bond, or impose any conditions with respect to such payment;
- (v) change the minimum percentage of the principal amount or maturity amount, as applicable, of the Series 2019F Bonds necessary for consent to such amendment; or
- (vi) affect the rights of the registered owners of less than all of the Series 2019F Bonds then Outstanding;

unless such amendment or amendments be approved by the registered owners of all of the Series 2019F 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 2019F 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 applicable, of Series 2019F 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 2019F 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 2019F 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 2019F 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 2019F Bond shall be established by the registration of any such Series 2019F 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 notwithstanding, the Board may, without prior notice to or 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 EDAP 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 EDAP 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 Section 9.01) 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 EDAP 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 EDAP 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 EDAP 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 EDAP 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 EDAP 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 2019F Bonds shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such amendments.

Section 7.04. Bonds May Bear Notation. Series 2019F Bonds authenticated and delivered after the execution of any amendatory resolution pursuant to this ARTICLE 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 2019F 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 2019F 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 2019F 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 2019F Bonds were the most advantageous to the Board reasonably obtained, and the sale of the Series 2019F Bonds is in the best interests of the Board.

(b) Underwriters. Wells Fargo Bank National Association. 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 2019F 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 EDAP Projects. A Purchase Agreement shall contain the terms of the sale of the Series 2019F 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 2019F Bonds shall be delivered unless prior to delivery, such Series 2019F 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 2019F 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 2019F 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 2019F Bonds sold under the terms of such Purchase Agreement, such document to be in substantially the form utilized in connection with the sale of EDAP Bonds previously issued by the Board to finance Economically Distressed Area Program 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 has been approved by the Attorney General, it 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 2019F Bonds to the Underwriters on the Date of Delivery.

Section 8.04. Use of Bond Proceeds. Proceeds from the sale of Series 2019F 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. Continuing Disclosure Undertaking of the Comptroller.**

(a) General. The Board and the legal and beneficial owners of the Series 2019F Bonds are third-party beneficiaries of the Continuing Disclosure Agreement. The Comptroller is required to observe the Continuing Disclosure Agreement in respect of any issue of "Securities," as defined in the Continuing Disclosure Agreement (which include the Series 2019F Bonds), for so long as the State remains an "obligated person" as defined in the Rule. Under the Continuing Disclosure 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 as described below.

(b) Annual Reports of the State. Pursuant to the Continuing Disclosure Agreement, the Comptroller will provide certain updated financial information and operating data to the MSRB annually. The Comptroller is not obligated to provide such financial and operating data more frequently than on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the State of the general type included in the Bond Appendix. The Comptroller will update and provide this information within 195 days after the end of each fiscal year of the State. The updated information provided by the Comptroller need 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.

(c) Event Notices of the Comptroller. Under the Continuing Disclosure Agreement, the Comptroller has also agreed to provide notice to the MSRB of any of the following events, with respect to the Series 2019F Bonds, in a timely manner and not more than ten (10) business days after occurrence of the event:

(i) incurrence of a Financial Obligation of the State, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the State, any of which affect security holders, if material; and

(ii) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the State, any of which reflect financial difficulties.

(d) Change in State Fiscal Year. The State's current fiscal year end is August 31. 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.

Section 9.02. Continuing Disclosure Undertaking of the Board.

(a) Annual Reports of the Board. The Board shall provide annually to the MSRB, within 195 days after the end of each Fiscal Year ending in or after 2019, financial information and operating data with respect to the Board and the State of the general type included in Tables 1 and 2 and Appendix B the final Official Statement authorized by Section 8.02, being the information described in **Exhibit C** hereto. Any financial statements so to be provided shall

be (1) prepared in accordance with the accounting principles described in **Exhibit C** 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.

(b) Event Notices of the Board. 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 2019F Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) 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 2019F Bonds, or other material events affecting the tax status of the Series 2019F Bonds;
- (vii) Modifications to rights of holders of the Series 2019F Bonds, if material;
- (viii) Series 2019F Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Series 2019F Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the Board;
- (xiii) 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
- (xiv) 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 U.S. Bankruptcy Code or in any other proceeding under state or federal

law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if jurisdiction has been assumed by leaving the Board and officials or officers of the Board in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board. 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 9.02(a) by the time required by such Section.

(c) Change in Board Fiscal Year. 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.

Section 9.03. Incorporation by Reference. 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 9.04. 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 2019F Bonds within the meaning of the Rule, except that the Board in any event will give the notice required by **Error! Reference source not found.**(b) of any Series 2019F 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 2019F 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 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 2019F Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE BOARD BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY SERIES 2019F 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 2019F Bonds in the primary offering of the Series 2019F 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 2019F 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 2019F 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 9.02(a) 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 2019F Bonds in the primary offering of the Series 2019F Bonds.

END OF ARTICLE IX

ARTICLE X

DEFEASANCE

Section 10.01. Series 2019F Bonds Deemed Paid. Any Series 2019F 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, when payment of the principal of such Series 2019F 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 2019F Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Series 2019F Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Economically Distressed Areas Program 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 2019F 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 2019F Bonds for Defeasance. In the event that the Board elects to defease less than all of the principal amount of Series 2019F Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Series 2019F 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 produce a net present value savings. An Authorized Representative shall execute and deliver an Approval Certificate setting forth the amount of net present value savings realized as a result of the refunding of the Refunded Bonds, evidencing that the minimum savings threshold established in Section 2.01(c) of this Resolution has been met.

Section 11.02. Escrow Agreement. The Escrow Agreement, in substantially the form attached to the Approval Certificate, is hereby approved by the Board, and the Executive Administrator or other Authorized Representative is hereby authorized to execute and deliver the same on behalf of the Board. The redemption, discharge and defeasance of the Refunded Bonds shall be effected pursuant to the terms and provisions of the Escrow Agreement in substantially the form approved by the Approval Certificate, the terms and provisions of which are hereby approved, subject to such insertions, additions and modifications as shall be necessary (a) to provide that the sufficiency of the Escrow Fund shall be certified as to mathematical accuracy in a sufficiency certificate or a report prepared by a nationally recognized firm acceptable to the Board, its financial advisors and the Escrow Agent with respect to the adequacy of the escrowed securities referred to in the Escrow Agreement to pay, when due, the principal of, interest on, and any call premium requirements on the Refunded Bonds, (b) to comply with all applicable laws and regulations relating to the refunding of the Refunded Bonds, (c) to carry out the other intents and purposes of this Resolution, and (d) to comply with the terms set forth in the Approval Certificate.

Section 11.03. Purchase of United States Treasury Obligations. In order to assure the purchase of any escrowed securities to be held pursuant to the Escrow Agreement, the Executive Administrator or other Authorized Representative is hereby authorized to make necessary arrangements for the subscription and purchase of, such obligations of the United States of America, or other securities or investments as may be permitted under State law and applicable federal tax law, in such amounts, maturities, and bearing interest at such rates as may be provided for in the sufficiency certificate or report referred to in Section 11.02, and the Executive Administrator or other Authorized Representative is authorized, either prior to Closing or after the date thereof, to execute any and all subscriptions, purchase contracts, forward purchase contracts, commitments, letters of authorization, and other documents necessary or desirable, in the judgment of the Executive Administrator or other Authorized Representative, to effect the foregoing, and any actions heretofore taken by the Executive Administrator or other Authorized Representative for such purpose are hereby ratified and approved

Section 11.04. Redemption of Refunded Bonds. Upon the issuance of the Series 2019F Bonds, the Refunded Bonds identified in the Approval Certificate to be redeemed are hereby declared to be called for redemption on the redemption date or dates identified in the Approval Certificate, consistent with the provisions set forth in the respective proceedings authorizing their issuance with respect to the redemption of bonds at the option of the Board. In connection with the prior redemption of any of the Refunded Bonds as may be provided for in the Approval Certificate, the Authorized Representative is hereby directed to coordinate with the Escrow Agent to give notice of such redemption, in substantially the form attached to the Approval Certificate, in accordance with the applicable terms of the resolution that authorized such series of 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 escrowed to maturity or prior redemption.

Section 11.05. Escrow Fund. The Board hereby establishes the Escrow Fund to be maintained by the Escrow Agent for application as provided in the Escrow Agreement. The Escrow Fund is hereby established and shall be created and maintained by the Escrow Agent for application as provided in the Escrow Agreement.

Section 11.06. Transfer of Funds. The Board shall allocate remaining money in each of the interest and sinking funds and/or project funds for each series of Refunded Bonds to the series or subseries of Series 2019F Bonds which refund such bonds and transfer such funds to the applicable Interest and Sinking Fund or the applicable escrow account within the Escrow Fund as may be determined by the Board pursuant to federal income tax law requirements.

END OF ARTICLE XI

ARTICLE XII

MISCELLANEOUS PROVISIONS

Section 12.01. Further Procedures. The Chairman, the Executive Administrator, the Development Fund Manager, the General Counsel, 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 2019F Bonds. In addition, prior to the initial delivery of the Series 2019F Bonds, the Chairman, the Executive Administrator, the 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 2019F 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 2019F 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 2019F 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 2019F 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 2019F 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 ____ day of _____, 2017.

Peter M. Lake, Chairman
Texas Water Development Board

ATTEST:

Jeff Walker, Executive Administrator
Texas Water Development Board

(SEAL)

SCHEDULE I
REFUNDABLE BONDS

State of Texas Water Financial Assistance Bonds, Series 2009F

LIST OF EXHIBITS

Exhibit A	Form of Bond
Exhibit B	Paying Agent/Registrar Agreement
Exhibit C	Description of Annual Financial Information of the Board

**EXHIBIT A
FORM OF BOND:**

NO. R-

\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
WATER FINANCIAL ASSISTANCE REFUNDING BOND
SERIES 2019F
(ECONOMICALLY DISTRESSED AREAS PROGRAM)

<u>MATURITY DATE</u>	<u>INTEREST RATE</u> %	<u>DATED DATE</u> _____, 2017	<u>CUSIP</u>
----------------------	---------------------------	----------------------------------	--------------

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, 20__, and semiannually on each _____ and _____ thereafter, except that if the Paying Agent/Registrar's Authentication Certificate appearing on the face of this Bond is dated later than _____, 20__, 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 Bonds when due.

INTEREST ON THE 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 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.

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 2019F 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-10 of Article III of the Texas Constitution ("Section 49-d-10") 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: refunding the Refunded Bonds, and to pay expenses arising in connection with the issuance of the Series 2019F 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 2019F 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 2019F BONDS having Stated Maturities on and after _____, 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.

IF FEWER THAN ALL OF THE SERIES 2019F BONDS are called for redemption, the maturities to be redeemed will be selected by the Board, and the Series 2019F 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 2019F 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 2019F Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Series 2019F 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 2019F BONDS are no longer registered to DTC or its nominee, any redemption of less than all of a maturity of such Series 2019F Bonds shall be effected by the Paying Agent/Registrar among owners on a pro-rata basis subject to minimum Authorized Denominations. The Series 2019F 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 2019F 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 2019F 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 2019F 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 2019F 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 2019F 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 2019F 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 2019F 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 2019F 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 Economically Distressed Areas Program Account" (the "Economically Distressed Areas Program Account") within the Texas Water Development Fund II ("Development Fund II") created by Section 49-d-8. The Economically Distressed Areas Program 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 Economically Distressed Areas Program Account. Proceeds from the sale of the bonds on deposit in the Economically Distressed Areas Program 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-10 to augment Economically Distressed Areas Program Account in Development Fund II or to refund any such bonds or obligations are referred to herein as "Economically Distressed Areas Program 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 Economically Distressed Areas Program 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 Economically Distressed Areas Program 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.

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 OF §
PUBLIC ACCOUNTS § REGISTERED NO. _____
OF THE STATE OF TEXAS §

I, GLENN HEGAR, Comptroller of Public Accounts of the State of Texas, do hereby certify that the attachment is a true and correct copy of the opinion of the Attorney General approving the:

"State of Texas Water Financial Assistance Refunding Bonds, Series 2019F (Economically Distressed Areas Program)"

numbered _____, of the denomination of \$ _____, dated _____, as authorized by issuer, interest _____ percent, under and by authority of which said bonds/certificates were registered electronically in the office of the Comptroller, on the _____, under Registration Number _____.

Given under my hand and seal of office, at Austin, Texas, the _____.

Comptroller of Public Accounts
of the State of Texas

[SEAL]

The Initial Series 2019F 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 REFUNDING BOND
SERIES 2019F
(ECONOMICALLY DISTRESSED AREAS PROGRAM)

Bond Date:
_____, 2017

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 _____ in the years and in principal installments in accordance with the following schedule:

<u>Year of</u> <u>Stated Maturity</u>	<u>Principal</u> <u>Amount (\$)</u>	<u>Interest</u> <u>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 _____, 2017, and each _____ and _____ thereafter, until maturity. Principal installments of this Series 2019F Bond are payable in the year of maturity 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.

EXHIBIT B
PAYING AGENT/REGISTRAR AGREEMENT

See Attached

**EXHIBIT C
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 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.

PRELIMINARY OFFICIAL STATEMENT

Dated []

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 Resolutions (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 the owners thereof. See "TAX MATTERS" herein.



\$219,980,000* STATE OF TEXAS GENERAL OBLIGATION BONDS

Table with 4 columns: Water Financial Assistance Refunding Bonds, Series 2019C; Water Financial Assistance Refunding Bonds, Series 2019D (State Participation Program); Water Financial Assistance Refunding Bonds, Series 2019E (Water Infrastructure Fund); Water Financial Assistance Refunding Bonds, Series 2019F (Economically Distressed Areas Program). Subseries 2019C-1, 2019C-2 (Variable Rate), 2019D-1, 2019D-2 (Variable Rate), 2019E-1, 2019E-2 (Variable Rate).

Dated Date: Date of Delivery

Due: August 1, as shown on page ii herein

The State of Texas (i) Water Financial Assistance Refunding Bonds, Series 2019C (the "Series 2019C Bonds") including the portion of the Series 2019C Bonds designated and issued as fixed rate bonds (the "Subseries 2019C-1 Bonds") and the portion of the Series 2019C Bonds designated and issued as variable rate bonds (the "Subseries 2019C-2 (Variable Rate) Bonds"), (ii) Water Financial Assistance Refunding Bonds, Series 2019D Bonds (State Participation Bonds) designated and issued as fixed rate bonds (the "Subseries 2019D-1 Bonds") and the portion of the 2019D Bonds designated and issued as variable rate bonds (the "Subseries 2019D-2 (Variable Rate) Bonds")(the "Series 2019D Bonds"), (iii) Water Financial Assistance Refunding Bonds, Series 2019E Bonds (Water Infrastructure Fund) designated and issued as fixed rate bonds (the "Subseries 2019E-1 Bonds") and the portion of the Series 2019E Bonds designated and issued as variable rate bonds (the "Subseries 2019E-2 (Variable Rate) Bonds"), and (iv) Water Financial Assistance Refunding Bonds, Series 2019F Bonds (Economically Distressed Areas Program) (the "Series 2019F Bonds"), being collectively referred to as 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.

The Bonds are initially issued in fully-registered form only, without coupons, in denominations of \$5,000 (or any integral multiple thereof) (see "THE FIXED RATE BONDS – General Provisions" and "THE VARIABLE RATE BONDS – General Provisions" herein). No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds is payable by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as paying agent/registrar, to Cede & Co., which makes distribution of the amounts so paid to the beneficial owners of the Bonds (see "APPENDIX E – Book-Entry-Only System" herein).

Interest. Interest on the Subseries 2019C-1 Bonds, Series 2019D-1 Bonds, Subseries 2019E-1 Bonds and Series 2019F Bonds (collectively, the "Fixed Rate Bonds") will accrue from the Date of Delivery (as defined below) at the fixed rates of interest shown on the inside cover pages hereof and will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Fixed Rate Bonds will be payable on February 1, 2020, and on each August 1 and February 1 thereafter until maturity or prior redemption.

The Subseries 2019C-2 (Variable Rate) Bonds, Subseries 2019D-2 (Variable Rate) Bonds, and the Subseries 2019E-2 (Variable Rate) Bonds (collectively, the "Variable Rate Bonds") are variable rate bonds, each initially issued in an Initial Rate Mode of specified duration (the "Initial Rate Period"), effective the Date of Delivery and ending []. Upon conclusion of the respective Initial Rate Period applicable thereto, each subseries of Variable Rate Bonds will be remarketed into a Term Mode (defined herein) interest period of a to-be-determined duration or to a Fixed Mode (defined herein). During each Initial Rate Period, interest on the Variable Rate Bonds will accrue from the Date of Delivery and will be calculated on the basis of a 360-day year of twelve 30-day months and will be payable on each February 1 and August 1, commencing February 1, 2020. See tables appearing on pages iii, iv, v, vi, vii and viii, respectively, of this Official Statement for a description of the ending date, mandatory tender date, initial rate, Stepped Rate (defined herein), and CUSIP Number applicable to each subseries of Variable Rate Bonds in its Initial Rate Mode.

* Preliminary, subject to change.

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.

Redemption and Repurchase of Variable Rate Bonds. During their Initial Rate Period, the Variable Rate Bonds (i) are subject to redemption as provided herein and (ii) are not subject to optional or mandatory tender. See “THE VARIABLE RATE BONDS – Redemption Provisions” and “– Tender Provisions.” On the Rate Determination Date (defined herein) applicable to a subseries of Variable Rate Bonds, such Variable Rate Bonds are subject to mandatory tender, without right of retention, and redemption at the option of the Board. See “THE VARIABLE RATE BONDS – Conversion of Interest Modes,” “– Tender Provisions,” and “– Redemption Provisions” herein.

No Initial Liquidity Support for Variable Rate Bonds. During their Initial Rate Period, the Variable Rate Bonds are not supported by a liquidity facility provided by a third party. Accordingly, a failure by the Remarketing Agent (defined herein) to remarket the Variable Rate Bonds subject to mandatory tender on the applicable Rate Adjustment Date will result in such Variable Rate Bonds bearing interest at the applicable Stepped Rate until such time as the Board redeems or remarkets such Variable Rate Bonds. See “THE VARIABLE RATE BONDS – Tender Provisions” herein.

Tender; Remarketing of Variable Rate Bonds. All tenders of Variable Rate Bonds must be made to The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as tender agent for the Variable Rate Bonds (the “Tender Agent”). In the Bond Resolutions (defined herein), the Board has covenanted to identify and enter into a contract with a remarketing agent (the “Remarketing Agent”) for each subseries of Variable Rate Bonds prior to the commencement of the remarketing period applicable to the particular subseries of Variable Rate Bonds. Variable Rate Bonds tendered for purchase will be bought from the proceeds derived from the remarketing of such Variable Rate Bonds, if any; provided, however, that should the date for tender of the Variable Rate Bonds occur on an interest payment date, the accrued interest portion of the Purchase Price (defined herein) will be paid by the Board.

Conversion of Variable Rate Bonds. Each applicable Bond Resolution provides that the Variable Rate Bonds, at the conclusion of the Initial Rate Period are subject to conversion to (i) a Term Rate Mode of the same or differing duration or (ii) a Fixed Rate Mode. If Variable Rate Bonds are converted, in whole or in part, to a Term Rate Mode the Board may, at its option, enter into an agreement providing liquidity support for those Variable Rate Bonds at such time. No such agreement, however, has been entered into at this time, nor is one expected to be entered into in the future.

Security. 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”.

Authority. The Bonds are issued pursuant to four separate resolutions adopted by the Board on [April 23, 2019] (collectively, the “Bond Resolutions”), 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 one or more approval certificates (the Bond Resolutions and such approval certificates are collectively referred to herein as the “Resolutions”). The Bonds are being issued pursuant to the Resolutions, 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 (defined herein), 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 Resolutions.

SEE INSIDE COVER PAGES HEREIN FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, STEPPED RATES (AS APPLICABLE), INITIAL YIELDS, CUSIP NUMBERS, MANDATORY TENDER DATES (AS APPLICABLE) AND REDEMPTION PROVISIONS FOR EACH SUBSERIES OF 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, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. See "LEGAL MATTERS." It is expected that the Bonds will be available for delivery, through the facilities of DTC, on or about June 12, 2019 (the "Date of Delivery").

WELLS FARGO

**HUTCHINSON, SHOCKEY, ERLY & CO.
MESIROW FINANCIAL**

**J.P. MORGAN
RAMIREZ & CO.**

Maturity Schedule

\$ _____*
STATE OF TEXAS

**Water Financial Assistance Refunding Bonds,
Series 2019C**

\$ _____*
Subseries 2019C-1

CUSIP Prefix: 882724⁽²⁾

<u>Maturity (August 1)⁽¹⁾</u>	<u>Principal Amount (\$)*</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP⁽²⁾</u>
2020	\$ _____			
2021	_____			
2022	_____			

(Interest to accrue from the Date of Delivery)

* Preliminary, subject to change.

⁽¹⁾ *Optional Redemption.* The Subseries 2019C-1 Bonds are not subject to redemption at the option of the Board prior to stated maturity. See "THE FIXED RATE BONDS – Redemption Provisions."

⁽²⁾ 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.

Maturity Schedule

\$ _____*
STATE OF TEXAS

**Water Financial Assistance Refunding Bonds,
Series 2019C**

\$ _____*
Subseries 2019C-2 (Variable Rate)

INITIAL RATE MODE INFORMATION

CUSIP Prefix: 882724⁽¹⁾

<u>Initial Rate Period Expiration</u>	<u>Mandatory Tender Date</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>Stepped Rate (%)</u>	<u>CUSIP⁽¹⁾</u>
July 31, 2022	August 1, 2022				

* Preliminary, subject to change.

The Subseries 2019C-2 (Variable Rate) Bonds have a stated maturity date of August 1, 2029. All or part of the Subseries 2019C-2 (Variable Rate) Bonds are subject to optional redemption prior to stated maturity and prior to the expiration of the Initial Rate Period on August 1, 2020, and on any date thereafter. The Subseries 2019C-2 (Variable Rate) Bonds are subject to optional redemption on any date during any time that the Subseries 2019C-2 (Variable Rate) Bonds bear interest at the Stepped Rate. In addition, the Subseries 2019C-2 (Variable Rate) Bonds are subject to mandatory sinking fund redemption in the amounts and at the times provided in the Series 2019C Bond Resolution and as described herein under the subcaption “THE VARIABLE RATE BONDS – Redemption of Bonds,” but no such mandatory redemption to occur during the Initial Rate Period.

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor’s Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the State, the Board, the Financial Advisor, nor the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

Maturity Schedule

\$ _____*
STATE OF TEXAS

**Water Financial Assistance Refunding Bonds,
Series 2019D
(State Participation Program)**

\$ _____*
Subseries 2019D-1

CUSIP Prefix: 882724⁽²⁾

<u>Maturity (August 1)⁽¹⁾</u>	<u>Principal Amount (\$)*</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP⁽²⁾</u>
2020	\$ _____			
2021	_____			
2022	_____			

2027	_____			
2028	_____			
2029	_____			
2030	_____			
2031	_____			
2032	_____			
2033	_____			
2034	_____			
2035				

(Interest to accrue from the Date of Delivery)

* Preliminary, subject to change.

⁽¹⁾ *Optional Redemption.* The Subseries 2019D-1 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. The Subseries 2019D-1 Bonds may also be subject to mandatory sinking fund redemption in the event the Underwriters elect to aggregate two or more of the maturities as a term bond. See "THE FIXED RATE BONDS – Redemption Provisions."

⁽²⁾ 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.

Maturity Schedule

\$ _____*
STATE OF TEXAS

**Water Financial Assistance Refunding Bonds,
Series 2019D
(State Participation Bonds)**

\$ _____*
Subseries 2019D-2 (Variable Rate)

INITIAL RATE MODE INFORMATION

CUSIP Prefix: 882724⁽¹⁾

<u>Initial Rate Period Expiration</u>	<u>Mandatory Tender Date</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>Stepped Rate (%)</u>	<u>CUSIP⁽¹⁾</u>
July 31, 2022	August 1, 2022				

* Preliminary, subject to change.

The Subseries 2019D-2 (Variable Rate) Bonds have a stated maturity date of August 1, 2029. All or part of the Subseries 2019D-2 (Variable Rate) Bonds are subject to optional redemption prior to stated maturity and prior to the expiration of the Initial Rate Period on August 1, 2020, and on any date thereafter. The Subseries 2019D-2 (Variable Rate) Bonds are subject to optional redemption on any date during any time that the Subseries 2019D-2 (Variable Rate) Bonds bear interest at the Stepped Rate. In addition, the Subseries 2019D-2 (Variable Rate) Bonds are subject to mandatory sinking fund redemption in the amounts and at the times provided in the Series 2019D Bond Resolution and as described herein under the subcaption “THE VARIABLE RATE BONDS – Redemption of Bonds,” but no such mandatory redemption to occur during the Initial Rate Period.

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor’s Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the State, the Board, the Financial Advisor, nor the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

Maturity Schedule

\$ _____*
STATE OF TEXAS

**Water Financial Assistance Refunding Bonds,
Series 2019E
(Water Infrastructure Fund)**

\$ _____*
Subseries 2019E-1

CUSIP Prefix: 882724⁽²⁾

<u>Maturity (August 1)⁽¹⁾</u>	<u>Principal Amount (\$)*</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP⁽²⁾</u>
2020	\$ _____			
2021	_____			
2022	_____			

(Interest to accrue from the Date of Delivery)

* Preliminary, subject to change.

⁽¹⁾ *Optional Redemption.* The Subseries 2019E-1 Bonds are not subject to redemption at the option of the Board prior to stated maturity. See "THE FIXED RATE BONDS – Redemption Provisions."

⁽²⁾ 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.

Maturity Schedule

\$ _____*
STATE OF TEXAS

**Water Financial Assistance Refunding Bonds,
Series 2019E
(Water Infrastructure Fund)**

\$ _____*
Subseries 2019E-2 (Variable Rate)

INITIAL RATE MODE INFORMATION

CUSIP Prefix: 882724⁽¹⁾

<u>Initial Rate Period Expiration</u>	<u>Mandatory Tender Date</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>Stepped Rate (%)</u>	<u>CUSIP⁽¹⁾</u>
July 31, 2022	August 1, 2022				

* Preliminary, subject to change.

The Subseries 2019E-2 (Variable Rate) Bonds have a stated maturity date of August 1, 2029. All or part of the Subseries 2019E-2 (Variable Rate) Bonds are subject to optional redemption prior to stated maturity and prior to the expiration of the Initial Rate Period on August 1, 2020, and on any date thereafter. The Subseries 2019E-2 (Variable Rate) Bonds are subject to optional redemption on any date during any time that the Subseries 2019E-2 (Variable Rate) Bonds bear interest at the Stepped Rate. In addition, the Subseries 2019E-2 (Variable Rate) Bonds are subject to mandatory sinking fund redemption in the amounts and at the times provided in the Series 2019E Bond Resolution and as described herein under the subcaption “THE VARIABLE RATE BONDS – Redemption of Bonds,” but no such mandatory redemption to occur during the Initial Rate Period.

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor’s Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the State, the Board, the Financial Advisor, nor the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

Maturity Schedule

\$ _____*
STATE OF TEXAS

**Water Financial Assistance Refunding Bonds,
Series 2019F
(Economically Distressed Areas Program)**

CUSIP Prefix: 882724⁽²⁾

<u>Maturity (August 1)⁽¹⁾</u>	<u>Principal Amount (\$)*</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP⁽²⁾</u>
2020	\$ _____			
2021	_____			
2022	_____			
2023	_____			
2024	_____			
2025	_____			
2026	_____			

(Interest to accrue from the Date of Delivery)

* Preliminary, subject to change.

⁽¹⁾ *Optional Redemption.* The Series 2019F 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 FIXED RATE BONDS – Redemption Provisions."

⁽²⁾ 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.

SALE AND DISTRIBUTION OF THE BONDS

For purposes of compliance with United States Securities and Exchange Commission (the "SEC") Rule 15c2-12, (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 Subseries 2019C-1 Bonds, Subseries 2019C-2 (Variable Rate) Bonds, Subseries 2019D-1 Bonds, Subseries 2019D-2 (Variable Rate) Bonds, Subseries 2019E-1 Bonds, Subseries 2019E-2 (Variable Rate), and Series 2019F Bonds are separate and distinct securities offered, issued and sold independently, except for use of this common Official Statement in connection with such offering and sale. While the Bonds share certain common attributes, each issue is separate from the other and each issue should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, and the rights of the holders.

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 PAGES iii, iv, v, vi, vii and viii 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.

[Remainder of Page Intentionally Left Blank]

TABLE OF CONTENTS

<p>INTRODUCTION 1</p> <p>PLAN OF FINANCE 2</p> <p style="padding-left: 20px;">Background 2</p> <p style="padding-left: 20px;">Use of Bond Proceeds 2</p> <p style="padding-left: 20px;">Refunded Bonds 2</p> <p style="padding-left: 20px;">Anticipated Issuance of Additional Bonds 2</p> <p>SOURCES AND USES OF FUNDS 3</p> <p style="padding-left: 20px;">Series 2019C Bonds 3</p> <p style="padding-left: 20px;">Series 2019D Bonds 3</p> <p style="padding-left: 20px;">Series 2019E Bonds 4</p> <p style="padding-left: 20px;">Series 2019F Bonds 4</p> <p>THE FIXED RATE BONDS 5</p> <p style="padding-left: 20px;">General Provisions 5</p> <p style="padding-left: 20px;">Redemption Provisions 5</p> <p style="padding-left: 20px;">Selection of Bonds to be Redeemed 6</p> <p style="padding-left: 20px;">Notice of Redemption 6</p> <p style="padding-left: 20px;">Paying Agent/Registrar 7</p> <p style="padding-left: 20px;">Transfer, Exchange and Registration 7</p> <p style="padding-left: 20px;">Limitation on Transfer of Bonds Called for Redemption 7</p> <p>THE VARIABLE RATE BONDS 8</p> <p style="padding-left: 20px;">General Provisions 8</p> <p style="padding-left: 20px;">Interest During the Initial Rate Period 8</p> <p style="padding-left: 20px;">Record Date During the Initial Rate Period 8</p> <p style="padding-left: 20px;">Conversion on Interest Modes 9</p> <p style="padding-left: 20px;">Remarketing Agent 9</p> <p style="padding-left: 20px;">Tender Provisions 9</p> <p style="padding-left: 20px;">Redemption Provisions 10</p> <p style="padding-left: 20px;">Paying Agent/Registrar 11</p> <p style="padding-left: 20px;">Transfer, Exchange and Registration 11</p> <p style="padding-left: 20px;">Limitations on Transfer of Variable Rate Bonds Called for Redemption 12</p> <p>SECURITY AND SOURCES OF PAYMENT FOR THE BONDS 12</p> <p style="padding-left: 20px;">General Obligation Pledge 12</p> <p style="padding-left: 20px;">Perfection of Security 13</p> <p style="padding-left: 20px;">Other Sources of Payment 13</p> <p style="padding-left: 20px;">Enforcement of Payment 13</p> <p style="padding-left: 20px;">Defeasance 14</p> <p style="padding-left: 20px;">Amendment of Resolution With Consent of Registered Owners 14</p> <p style="padding-left: 20px;">Amendment of Resolution Without Consent of Registered Owners 14</p> <p>WATER ASSISTANCE BOND PROGRAM 15</p> <p style="padding-left: 20px;">Development Fund I 15</p> <p style="padding-left: 20px;">Development Fund II 15</p> <p style="padding-left: 20px;">Major Accounts within Development Fund II 16</p> <p style="padding-left: 20px;">Financial Assistance Bonds 16</p> <p style="padding-left: 20px;">State Participation Bonds 18</p> <p style="padding-left: 20px;">EDAP Bonds 19</p> <p style="padding-left: 20px;">Water Infrastructure Fund 20</p> <p>TABLE 1: WATER ASSISTANCE BONDS 21</p> <p>OTHER FINANCIAL ASSISTANCE PROGRAMS OF THE BOARD 22</p> <p style="padding-left: 20px;">Texas Agricultural Water Conservation Bond Program 22</p>	<p>TABLE 2: AGRICULTURE FUND GENERAL</p> <p>OBLIGATION BONDS 22</p> <p style="padding-left: 20px;">Revenue Bonds 22</p> <p style="padding-left: 20px;">Clean Water State Revolving Fund 22</p> <p style="padding-left: 20px;">Drinking Water State Revolving Fund 23</p> <p style="padding-left: 20px;">State Water Implementation Fund for Texas and State Water Implementation Revenue Fund for Texas 23</p> <p style="padding-left: 20px;">Rural Water Assistance Fund 24</p> <p style="padding-left: 20px;">Texas Water Resources Finance Authority 24</p> <p>TEXAS WATER DEVELOPMENT BOARD 25</p> <p style="padding-left: 20px;">General 25</p> <p style="padding-left: 20px;">State Water Plan 25</p> <p style="padding-left: 20px;">Board Members 25</p> <p style="padding-left: 20px;">Key Staff Members 26</p> <p style="padding-left: 20px;">Limitation of Liability of Officials of the Board 27</p> <p style="padding-left: 20px;">Bond Review Board Approval 27</p> <p style="padding-left: 20px;">Sunset Review of the Board 27</p> <p>GENERAL INFORMATION REGARDING THE STATE 27</p> <p style="padding-left: 20px;">Available Information 27</p> <p>LEGAL MATTERS 27</p> <p style="padding-left: 20px;">Legal Opinion 27</p> <p style="padding-left: 20px;">No-Litigation Certificate 28</p> <p style="padding-left: 20px;">Eligibility for Investment in Texas 28</p> <p style="padding-left: 20px;">Registration and Qualification of Bonds for Sale 28</p> <p>TAX MATTERS 29</p> <p style="padding-left: 20px;">Tax Exemption 29</p> <p style="padding-left: 20px;">Tax Accounting Treatment of Discount and Premium on Certain Bonds 29</p> <p>CONTINUING DISCLOSURE OF INFORMATION 30</p> <p style="padding-left: 20px;">Continuing Disclosure Undertaking of the Board 30</p> <p style="padding-left: 20px;">Continuing Disclosure Undertaking of the Comptroller 31</p> <p style="padding-left: 20px;">Availability of Information 32</p> <p style="padding-left: 20px;">Limitations and Amendments 32</p> <p style="padding-left: 20px;">Compliance with Prior Undertakings 32</p> <p>OTHER INFORMATION 33</p> <p style="padding-left: 20px;">Ratings 33</p> <p style="padding-left: 20px;">Underwriting 33</p> <p style="padding-left: 20px;">Unaudited Financial Information 34</p> <p style="padding-left: 20px;">Forward-Looking Statements 34</p> <p style="padding-left: 20px;">Certification of Official Statement 34</p> <p style="padding-left: 20px;">Financial Advisor 34</p> <p style="padding-left: 20px;">Verification of Arithmetical & Mathematical Computations 34</p> <p style="padding-left: 20px;">Website Reference 35</p> <p style="padding-left: 20px;">Approval of Official Statement 35</p> <p>SCHEDULE OF REFUNDED BONDS SCHEDULE I</p> <p>THE STATE OF TEXAS APPENDIX A</p> <p>SELECTED FINANCIAL DATA (UNAUDITED) APPENDIX B</p> <p>PROPOSED FORM OF BOND COUNSEL OPINIONS APPENDIX C</p> <p>SCHEDULE OF DEBT SERVICE REQUIREMENTS APPENDIX D</p> <p>BOOK-ENTRY-ONLY SYSTEM APPENDIX E</p>
---	---

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, 2025*

KEY STAFF MEMBERS

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

BOND COUNSEL
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, Director, Debt and Portfolio Management 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.

* Ms. Paup has been reappointed by the Governor for a term set to expire February 1, 2025. Ms. Paup's appointment is subject to senate confirmation. See "TEXAS WATER DEVELOPMENT BOARD – Board Members" herein.

[Remainder of Page Intentionally Left Blank]

OFFICIAL STATEMENT

relating to

\$ _____*
STATE OF TEXAS

GENERAL OBLIGATION BONDS
Water Financial Assistance Refunding Bonds,
Series 2019

\$ _____
Water Financial
Assistance Refunding Bonds,
Series 2019C

\$ _____
Water Financial
Assistance Refunding Bonds,
Series 2019D
(State Participation Program)

\$ _____
Water Financial
Assistance Refunding Bonds,
Series 2019E
(Water Infrastructure Fund)

\$ _____
Water Financial
Assistance Refunding
Bonds, Series 2019F
(Economically Distressed
Areas Program)

\$ _____
Subseries
2019C-1

\$ _____
Subseries 2019C-2
(Variable Rate)

\$ _____
Subseries
2019D-1

\$ _____
Subseries 2019D-2
(Variable Rate)

\$ _____
Subseries
2019E-1

\$ _____
Subseries 2019E-2
(Variable Rate)

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 (i) Water Financial Assistance Refunding Bonds, Series 2019C (the "Series 2019C Bonds") including the portion of the Series 2019C Bonds designated and issued as fixed rate bonds (the "Subseries 2019C-1 Bonds") and the portion of the Series 2019C Bonds designated and issued as variable rate bonds (the "Subseries 2019C-2 (Variable Rate) Bonds"), (ii) Water Financial Assistance Refunding Bonds, Series 2019D Bonds (State Participation Bonds) (the "Series 2019D Bonds") including the portion of the Series 2019D Bonds designated and issued as fixed rate bonds (the "Subseries 2019D-1 Bonds") and the portion of the Series 2019D Bonds designated and issued as variable rate bond (the "Subseries 2019D-2 Bonds"), (iii) Water Financial Assistance Refunding Bonds, Series 2019E Bonds designated and issued as fixed rate bonds (the "Subseries 2019E-1 Bonds") and the portion of the Series 2019E Bonds (the "Series 2019E Bonds") including the portion designated and issued as variable rate bonds (the "Subseries 2019E-2 (Variable Rate) Bonds"), and (iv) Water Financial Assistance Refunding Bonds, Series 2019F Bonds (the "Series 2019F Bonds") (the Series 2019C Bonds, the Series 2019D Bonds, the Series 2019E Bonds, and the Series 2019F Bonds being collectively referred to herein as 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 Series 2019C Bonds and the 2019E 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." The Series 2019D Bonds, together with other 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." The Series 2019F Bonds, together with other 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." The debt service schedules for the EDAP Bonds and Financial Assistance Bonds and State Participation Bonds that will be outstanding upon the issuance of the Bonds is attached hereto as APPENDIX D.

The Bonds are being issued pursuant to four separate resolutions adopted by the Board on [April 23, 2019] (collectively, the "Bond Resolutions"), 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 Resolutions, among other matters, delegates to an authorized representative of the Board authority to complete the sale of the Bonds pursuant to the terms of one or more approval certificates (collectively, the "Approval Certificate" and together with the Bond Resolutions, the "Resolutions"), 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 Resolutions.

* Preliminary, subject to change.

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.**"

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 for the purpose of conserving and developing the water resources of the State by (i) providing funds for the refunding of the Refunded Bonds (defined herein); and (ii) providing funds for the payment of expenses arising in connection with the issuance of the Bonds. The Bond Resolutions authorized the issuance of the Bonds in a maximum aggregate principal amount of [\$265,210,000]. The authority to issue the Bonds under the terms of the Resolutions expires on [April 22, 2020].

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, as escrow agent (the "Escrow Agent"). The principal and interest due on the Refunded Bonds are to be paid on the Redemption Date, from funds to be deposited pursuant to one or more Escrow Agreements (collectively, the "Escrow Agreement") between the Board and the Escrow Agent. The Resolution provides that from the proceeds of the sale of the Bonds, the Board will deposit with the Escrow Agent an amount which, together with the Escrowed Securities (defined below) purchased with a portion of the Bond proceeds and the interest to be earned on such Escrowed Securities, will be sufficient to accomplish the discharge and final payment of the Refunded Bonds on their redemption date. Such funds will be held by the Escrow Agent in one or more special escrow accounts (collectively, the "Escrow Fund") and used to purchase securities (the "Escrowed Securities") authorized by State law and the resolution authorizing the Refunded Bonds to defease the Refunded Bonds. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds.

Public Finance Partners LLC, will verify at the time of initial delivery of the Bonds to the Underwriters the mathematical accuracy of the schedules that demonstrate the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. Such maturing principal of and interest on the Escrowed Securities will not be available to pay the Bonds. See "OTHER INFORMATION - Verification of Arithmetical and Mathematical Computations". By the deposit of cash and Escrowed Securities with the Escrow Agent pursuant to the terms of the Escrow Agreement, 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 and the Refunded Bonds will be deemed to be fully paid and no longer outstanding except for the purposes of being paid from funds held by the Escrow Agent in the Escrow Fund.

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 BONDS**" and "**APPENDIX A – THE STATE OF TEXAS.**"

SOURCES AND USES OF FUNDS

Series 2019C Bonds

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	_____
Total	=====

Uses

Deposit for Redemption of Refunded Bonds	
Costs of Issuance ⁽¹⁾	
Underwriters' Discount	_____
Total	=====

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

Series 2019D Bonds

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	_____
Total	=====

Uses

Deposit for Redemption of Refunded Bonds	
Costs of Issuance ⁽¹⁾	
Underwriters' Discount	_____
Total	=====

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

Series 2019E Bonds

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	_____
Total	=====

Uses

Deposit for Redemption of Refunded Bonds	
Costs of Issuance ⁽¹⁾	
Underwriters' Discount	_____
Total	=====

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

Series 2019F Bonds

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	_____
Total	=====

Uses

Deposit for Redemption of Refunded Bonds	
Costs of Issuance ⁽¹⁾	
Underwriters' Discount	_____
Total	=====

⁽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 FIXED RATE BONDS

General Provisions

The Fixed Rate Bonds (being the Subseries 2019C-1 Bonds, Series 2019D-1 Bonds, Subseries 2019E-1 Bonds, and the Series 2019F Bonds) will be issued only as fully registered bonds, in any integral multiple of \$5,000 within a maturity. Interest on the Fixed Rate Bonds will accrue from the Date of Delivery at the respective per annum rates for each maturity of Bonds as shown on pages iii, v, vii and ix hereof and will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Fixed Rate Bonds will be payable on February 1, 2020, and on each August 1 and February 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 pages hereof.

The Board initially will issue the Fixed Rate 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 Fixed Rate Bonds may be acquired in denominations of \$5,000 principal amount or integral multiples thereof within a maturity. No physical delivery of the Fixed Rate Bonds will be made to the Beneficial Owners (as defined in **APPENDIX E**) thereof. Principal of and interest on the Fixed Rate 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 Fixed Rate Bonds will be made to the registered owner upon maturity or redemption prior to maturity only upon presentation and surrender of such Fixed Rate 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 Fixed Rate Bonds, all payments will be made as described in **APPENDIX E** to this Official Statement. See "**THE FIXED RATE BONDS – Transfer, Exchange and Registration.**" When the Fixed Rate Bonds are not in the book-entry-only system, interest on the Fixed Rate 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 Fixed Rate 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 Fixed Rate Bonds is determined only by a book-entry at a securities depository for the Fixed Rate 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.

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

Redemption Provisions

Subseries 2019C-1 Bonds

Optional Redemption. The Subseries 2019C-1 Bonds are not subject to redemption, at the option of the Board, prior to stated maturity.

Mandatory Sinking Fund Redemption. The Subseries 2019C-1 Bonds may be subject to mandatory sinking fund redemption in the event the Underwriters elect to aggregate two or more of the maturities as a term bond.

Redemption Date

Principal Amount (\$)

Series 2019D-1 Bonds

Optional Redemption. The Subseries 2019D-1 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 Subseries 2019D-1 Bonds may be subject to mandatory sinking fund redemption in the event the Underwriters elect to aggregate two or more of the maturities as a term bond.

Redemption Date

Principal Amount (\$)

Subseries 2019E-1 Bonds

Optional Redemption. The Subseries 2019E-1 Bonds are not subject to redemption, at the option of the Board, prior to stated maturity.

Mandatory Sinking Fund Redemption. The Subseries 2019E-1 Bonds may be subject to mandatory sinking fund redemption in the event the Underwriters elect to aggregate two or more of the maturities as a term bond.

Redemption Date

Principal Amount (\$)

Series 2019F Bonds

Optional Redemption. The Series 2019F 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 Series 2019F Bonds may be subject to mandatory sinking fund redemption in the event the Underwriters elect to aggregate two or more of the maturities as a term bond.

Redemption Date

Principal Amount (\$)

Selection of Bonds to be Redeemed

If fewer than all of the Series 2019F 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.

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 Fixed Rate 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 Fixed Rate 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 Fixed Rate 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 Fixed Rate 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 A PARTICULAR SERIES OR SUBSERIES OF FIXED RATE 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 PARTICULAR SUBSERIES OF FIXED RATE BONDS SO CALLED FOR REDEMPTION, NO SUCH FIXED RATE BONDS SHALL BE REDEEMED ON THE DATE FIXED FOR REDEMPTION, AND THE NOTICE OF REDEMPTION FOR SUCH FIXED RATE BONDS SHALL BE NULL AND VOID.

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Fixed Rate Bonds is The Bank of New York Mellon Trust Company, N.A. In each Resolution, the Board retains the right to replace the Paying Agent/Registrar. The Board covenants in the Resolutions to maintain and provide a Paying Agent/Registrar for the Fixed Rate Bonds at all times while the Fixed Rate 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 Fixed Rate Bonds, the Board agrees to promptly cause a written notice thereof to be sent by the new Paying Agent/Registrar for the Fixed Rate Bonds to each registered owner of the affected Fixed Rate 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 Fixed Rate Bonds will be printed and delivered to the beneficial owners thereof and, thereafter, the Fixed Rate Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar for the Fixed Rate 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 Fixed Rate 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 Fixed Rate Bond or any portion thereof in any authorized denominations, and in the case of the exchange of the unredeemed portion of a Fixed Rate Bond which has been redeemed in part prior to maturity, such fees and charges will be paid by the Board. A Fixed Rate Bond may be assigned by the execution of an assignment form on the Fixed Rate Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar for the Fixed Rate Bonds. A new Fixed Rate Bond or Fixed Rate Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Fixed Rate Bond or Fixed Rate Bonds being transferred or exchanged, at the designated corporate trust office of the Paying Agent/Registrar. New Fixed Rate 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 Fixed Rate Bond or Fixed Rate 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 Fixed Rate Bonds.

Limitation on Transfer of Fixed Rate Bonds Called for Redemption

Neither the Board, the State, nor the Paying Agent/Registrar for the Fixed Rate Bonds will be required (a) to issue, transfer, or exchange any Fixed Rate 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 Fixed Rate Bonds and ending at the close of business on the day of such mailing or (b) to transfer or exchange any Fixed Rate 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 Fixed Rate Bonds, the Paying Agent/Registrar is required to transfer or exchange any Fixed Rate 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 Fixed Rate Bond issued in exchange for or upon transfer of the Fixed Rate Bond so selected for redemption of an appropriate legend to the effect that such new Fixed Rate Bond has been so selected for redemption.

THE VARIABLE RATE BONDS

General Provisions

The Variable Rate Bonds (being the Subseries 2019C-2 (Variable Rate) Bonds, Subseries 2019D-2 (Variable Rate) Bonds, and Subseries 2019E-2 (Variable Rate) Bonds) are dated the Date of Delivery and mature on August 1, 2022 with respect to the Subseries 2019C-2 (Variable Rate) Bonds, the Subseries 2019D-2 (Variable Rate) Bonds, and the Subseries 2019E-2 (Variable Rate) Bonds in the amounts set forth on the inside cover pages hereof. The Variable Rate Bonds are variable rate bonds, initially issued in an Initial Rate Mode, during which Variable Rate Bonds of a particular subseries bear interest at a fixed term rate, effective on the Date of Delivery and concluding on the date indicated in the table relating to the particular subseries of Variable Rate Bonds on the inside cover pages hereof (such initial period applicable to each particular subseries of Variable Rate Bonds, an “Initial Rate Period”).

THE VARIABLE RATE BONDS ARE SUBJECT TO CONVERSION TO OTHER INTEREST MODES AT THE TIMES AND UPON THE CONDITIONS DESCRIBED IN THE VARIABLE RATE BOND RESOLUTIONS FOLLOWING A MANDATORY TENDER FOR PURCHASE OF SUCH VARIABLE RATE BONDS. THIS OFFICIAL STATEMENT IS NOT INTENDED TO PROVIDE INFORMATION WITH RESPECT TO THE VARIABLE RATE BONDS AFTER CONVERSION TO ANY NEW INTEREST MODE OR INTEREST RATE PERIOD. PURCHASERS OF THE VARIABLE RATE BONDS SHOULD NOT RELY ON THIS OFFICIAL STATEMENT FOR INFORMATION CONCERNING ANY OTHER INTEREST MODE OR INTEREST PERIOD FOR THE VARIABLE RATE BONDS OTHER THAN THE INITIAL RATE PERIOD.

The Board initially will issue the Variable Rate Bonds registered only in the name of Cede & Co., the nominee of DTC, pursuant to the book-entry-only system described in APPENDIX E to this Official Statement. Beneficial ownership of the Variable Rate Bonds may be acquired in denominations of \$5,000 principal amount or integral multiples thereof within a maturity. No physical delivery of the Variable Rate Bonds will be made to the Beneficial Owners (as defined in APPENDIX E) thereof. Principal of and interest on the Variable Rate 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 Variable Rate Bonds will be made to the registered owner upon maturity or redemption prior to maturity only upon presentation and surrender of such Variable Rate 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 Variable Rate Bonds, all payments will be made as described in APPENDIX E to this Official Statement. See “THE VARIABLE RATE BONDS – Transfer, Exchange and Registration.” When the Variable Rate Bonds are not in the book-entry-only system, interest on the Variable Rate 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 Record Date (defined below).

In the event that any date for payment of the principal of or interest on the Variable Rate 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 Variable Rate Bonds is determined only by a book-entry at a securities depository for the Variable Rate 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.

Interest During the Initial Rate Period

During the Initial Rate Period, the Variable Rate Bonds of a particular subseries will bear interest at the per annum rate identified in the applicable table appearing on pages iv, vi and viii, respectively, hereof; thereafter, the Variable Rate Bonds will bear interest at the rate or rates and in the manner and for the duration specified in the Series 2019C Bond Resolution, the Series 2019D Bond Resolution, and the Series 2019E Bond Resolution, respectively and as applicable, authorizing such interest mode conversions. See “THE VARIABLE RATE BONDS – Conversion of Interest Mode” herein.

During the Initial Rate Period, interest on such Variable Rate Bonds will be computed on the basis of a 360-day year comprised of twelve 30-day months. Interest accruing on Variable Rate Bonds during the Initial Rate Period will be payable semi-annually on the dates February 1 and August 1 of each year, commencing February 1, 2020. Interest due on each interest payment date will include interest accrued through the preceding day.

Record Date During the Initial Rate Period

During the Initial Rate Period and while the Bonds are in the Initial Rate Mode, the record date for determining the party to whom interest on the Variable Rate Bonds is payable on any interest payment date (the “Record Date”) is the close of business on the fifteenth day of the preceding calendar month.

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

Conversion of Interest Modes

Upon conclusion of the Initial Rate Period for a particular subseries of Variable Rate Bonds, the Board is permitted to convert the mode for all or any portion of such Variable Rate Bonds to a Fixed Rate Mode or to a Term Rate Mode (and, if the new interest rate mode is a Term Rate Mode, to designate the duration of such interest rate period). A conversion of a Tax-Exempt Bond will be subject to receipt of an opinion of nationally recognized bond counsel to the effect that such conversion will not have an adverse effect on the exclusion from federal income tax of the interest on the Tax-Exempt Bond and is in compliance with State law.

Remarketing Agent

No Remarketing Agent will be appointed for the Variable Rate Bonds during their respective Initial Rate Periods. The Board will identify the Remarketing Agent for a particular subseries of Variable Rate Bonds in the Series 2019C Bond Resolution, the Series 2019D Bond Resolution and the Series 2019E Bond Resolution, respectively and as applicable, authorizing the conversion from the Initial Rate Mode and subsequent conversions. At such times, the Board will execute a Remarketing Agreement that relates to the particular subseries of Variable Rate Bonds evidencing the Remarketing Agent's agreement to serve in such capacity. No resignation or removal of the Remarketing Agent (if required to be maintained) shall become effective until a successor has been appointed and accepted such appointment. Promptly upon each change in the entity serving as Remarketing Agent, the Board will cause notice of such change to be sent to each Owner by first-class mail.

Tender Provisions

Tender Provisions Generally. The Variable Rate Bonds are not subject to optional or mandatory tender during the applicable Initial Rate Period. The Variable Rate Bonds are, however, subject to mandatory tender (without right of retention) on the Rate Adjustment Date (defined herein) after the conclusion of the applicable Initial Rate Period. See "THE VARIABLE RATE BONDS – Tender Provision – Mandatory Tender."

Mandatory Tender. On the first Business Day after the conclusion of the applicable Initial Rate Period, as evidenced in the applicable table appearing on pages iv, vi and viii, respectively, hereof (each such date, a "Rate Adjustment Date," as further defined in the Variable Rate Bond Resolutions), the Variable Rate Bonds are subject to mandatory tender without right of retention. Each owner of Variable Rate Bonds will be required to tender, and in any event will be deemed to have tendered, such Variable Rate Bonds (or the applicable portion thereof described below) to the Tender Agent (defined herein) for purchase at a purchase price equal to 100% of the principal amount plus accrued interest, if any.

The Paying Agent/Registrar is required to give notice of mandatory tender to each registered owner of the Variable Rate Bonds affected thereby by mail, first class postage prepaid, not less than 30 days prior to the Rate Adjustment Date. While the Variable Rate Bonds are registered in the name of Cede & Co., only Cede & Co. will receive such notice from the Tender Agent. See APPENDIX E herein.

In the event that all Variable Rate Bonds of a particular subseries are not converted and remarketed to new purchasers on the Rate Adjustment Date occurring immediately after the conclusion of the applicable Initial Rate Period, the Board shall have no obligation to purchase the Variable Rate Bonds of such particular subseries tendered on such date, the failed conversion and remarketing shall not constitute an event of default under the applicable Variable Rate Bond Resolutions or such Variable Rate Bonds, the notice of mandatory tender will be deemed to have been rescinded for that date with respect to the entire subseries of those Variable Rate Bonds, and such subseries of Variable Rate Bonds (i) will continue to be Outstanding, (ii) will be purchased upon the availability of funds to be received from the subsequent remarketing of such Variable Rate Bonds, (iii) will be subject to redemption and mandatory tender for purchase on any date during the Stepped Rate Period during which interest accrues at the Stepped Rate (and which shall occur, at the Board's discretion and upon delivery of at least one day's notice of such redemption or requirement of mandatory tender to the holders of Variable Rate Bonds then bearing interest at the Stepped Rate), and (iv) will be deemed to continue in a Term Rate Mode for all other purposes of the applicable Variable Rate Bond Resolutions, though bearing interest during such time at the Stepped Rate until remarketed or redeemed in accordance with the terms of the applicable Variable Rate Resolutions. In the event of a failed conversion and remarketing as described above, the Board has covenanted in the Variable Rate Bond Resolutions to cause the applicable Variable Rate Bonds to be converted and remarketed on the earliest reasonably practicable date on which they can be sold at par, in such Interest Mode or Modes as the Board directs, at a rate not exceeding the Highest Rate. For Variable Rate Bonds sold into their Initial Rate Modes, the Stepped Rate and Highest Rate applicable to a particular subseries of Variable Rate Bonds is the same (though this is preliminary and subject to change).

No Initial Liquidity Support for Variable Rate Bonds; Stepped Rate. **The Variable Rate Bonds, during the Initial Rate Period, are not supported by a Liquidity Facility provided by a third party.** Accordingly, a failure by the Remarketing Agent to remarket all Variable Rate Bonds of a particular subseries subject to mandatory tender on the Rate Adjustment Date at the end of the applicable Initial Rate Period will result in the rescission of the notice of mandatory tender with respect thereto and the Board will not have any obligation to purchase such Variable Rate Bonds at that time. The occurrence of the foregoing will not result in an event of default under the applicable Variable Rate Bond Resolutions or the Variable Rate Bonds. Until such time as the Board redeems or remarkets such Variable Rate Bonds that have not been successfully remarketed as described above, such Variable Rate Bonds shall bear interest at the “Stepped Rate”, being the per annum rate of interest then applicable to such unremarketed Variable Rate Bonds specified on pages iv vi and viii, respectively and as applicable hereof, calculated on the basis of a 360-day year and the number of days actually elapsed. The Board may, at its discretion, acquire a Liquidity Facility to provide liquidity support for the Variable Rate Bonds in the future but currently has no intention of doing so.

Tender Agent. The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, serves as the tender agent (the “Tender Agent”), for the Variable Rate Bonds, pursuant to a Tender Agent Agreement, dated as of _____, 2019, between the Board and the Tender Agent for each particular subseries of Variable Rate Bonds.

Tender Procedures. While the Variable Rate Bonds are all registered in the name of Cede & Co., as nominee for DTC, bondholders may tender Variable Rate Bonds for purchase by giving DTC sufficient instructions to transfer beneficial ownership of such Variable Rate Bonds to the account of the Tender Agent against payment. In the event that the Book-Entry-Only System herein is discontinued and registered bonds are issued, all notices and Variable Rate Bonds are required to be delivered to the Tender Agent.

Limitations on Payment of Purchase Price; Untendered Bonds. The Tender Agent will be required to affect purchases of tendered Variable Rate Bonds solely from and to the extent of (1) proceeds of the remarketing of such Variable Rate Bonds pursuant to the Remarketing Agreement, and (2) payments, if any, elected to be made by the Board in its sole discretion. The Board will have no obligation and has no intent to purchase tendered Variable Rate Bonds. No purchase right will pertain to Variable Rate Bonds registered in the name or held for the benefit or account of the Board or certain affiliates. See discussion above under “Mandatory Tender” and “No Initial Liquidity Support for Variable Rate Bonds; Stepped Rate” for the effects of a failed remarketing of Variable Rate Bonds when there exists no Liquidity Facility providing liquidity support therefor.

ANY VARIABLE RATE BOND (OR PORTION THEREOF) WHICH IS REQUIRED TO BE TENDERED OR FOLLOWING NOTICE OF TENDER AND FOR WHICH PAYMENT OF THE PURCHASE PRICE IS DULY PROVIDED FOR ON THE RELEVANT PURCHASE DATE WILL BE DEEMED TO HAVE BEEN TENDERED AND SOLD ON SUCH PURCHASE DATE, AND THE HOLDER OF SUCH VARIABLE RATE BOND WILL NOT THEREAFTER BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST ACCRUED SUBSEQUENT TO SUCH PURCHASE DATE) IN RESPECT THEREOF OTHER THAN THE PURCHASE PRICE FOR SUCH VARIABLE RATE BOND OR PORTION OR OTHERWISE BE SECURED BY OR ENTITLED TO ANY BENEFIT UNDER THE APPLICABLE RESOLUTIONS.

Redemption Provisions

Optional Redemption. The Subseries 2019C-2 (Variable Rate) Bonds are subject to redemption prior to their stated maturity at the option of the Board in whole or in part, at a redemption price equal to 100% of principal amount plus accrued interest, if any, on August 1, 2020 or any date thereafter and on any date the Subseries 2019C-2 (Variable Rate) Bonds bear interest at a Stepped Rate.

The Subseries 2019D-2 (Variable Rate) Bonds are subject to redemption prior to their stated maturity at the option of the Board in whole or in part, at a redemption price equal to 100% of principal amount plus accrued interest, if any, on August 1, 2020 or any date thereafter and on any date the Subseries 2019D-2 (Variable Rate) Bonds bear interest at a Stepped Rate.

The Subseries 2019E-2 (Variable Rate) Bonds are subject to redemption prior to their stated maturity at the option of the Board in whole or in part, at a redemption price equal to 100% of principal amount plus accrued interest, if any, on August 1, 2020 or any date thereafter and on any date the Subseries 2019E-2 (Variable Rate) Bonds bear interest at a Stepped Rate.

Mandatory Sinking Fund Redemption. The Variable Rate Bonds are subject to mandatory sinking fund redemption by the Board prior to their scheduled maturity (but not during either Initial Rate Period) at a redemption price of par plus accrued interest to the date fixed for redemption, on August 1 in each of the years and in the principal amounts indicated below:

Subseries 2019C-2 (Variable Rate) Bonds

<u>Year (August 1)*</u>	<u>Amount (\$)*</u>	<u>Year (August 1)*</u>	<u>Amount (\$)*</u>
-------------------------	---------------------	-------------------------	---------------------

Subseries 2019D-2 (Variable Rate) Bonds

<u>Year (August 1)*</u>	<u>Amount (\$)*</u>	<u>Year (August 1)*</u>	<u>Amount (\$)*</u>
-------------------------	---------------------	-------------------------	---------------------

Subseries 2019E-2 (Variable Rate) Bonds

<u>Year (August 1)*</u>	<u>Amount (\$)*</u>	<u>Year (August 1)*</u>	<u>Amount (\$)*</u>
-------------------------	---------------------	-------------------------	---------------------

*Preliminary, subject to change.

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

Redemption Procedures. Except with respect to Variable Rate Bonds bearing interest at a Stepped Rate (which may be redeemed on one day's notice to the holders thereof), notice of each redemption of Variable Rate Bonds during the Initial Rate Period is required to be mailed not less than 30 days prior to the redemption date to each registered owner of the Variable Rate Bonds to be redeemed. If notice of redemption of any Variable Rate Bond is so given, such Variable Rate Bond (or the principal amount thereof to be redeemed) will be due and payable on the redemption date and, if funds sufficient to pay the redemption price are deposited with the Paying Agent/Registrar on the redemption date, will cease to bear interest after such date. While the Variable Rate Bonds are registered in the name of DTC or its nominee, as nominee for the beneficial owners, the foregoing notice will be given to DTC or such nominee only, which shall alone be responsible for providing such notice to the beneficial owners. See APPENDIX E herein.

SHOULD NOTICE TO CALL A PARTICULAR SUBSERIES OF VARIABLE RATE 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 PARTICULAR SUBSERIES OF VARIABLE RATE BONDS SO CALLED FOR REDEMPTION, NO SUCH VARIABLE RATE BONDS SHALL BE REDEEMED ON THE DATE FIXED FOR REDEMPTION, AND THE NOTICE OF REDEMPTION FOR SUCH VARIABLE RATE BONDS SHALL BE NULL AND VOID.

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Variable Rate Bonds is The Bank of New York Mellon Trust Company, N.A. In each Resolution, the Board retains the right to replace the Paying Agent/Registrar. The Board covenants in the Resolutions to maintain and provide a Paying Agent/Registrar for the Variable Rate Bonds at all times while the Variable Rate 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 Variable Rate Bonds, the Board agrees to promptly cause a written notice thereof to be sent by the new Paying Agent/Registrar for the Variable Rate Bonds to each registered owner of the affected Variable Rate 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 Variable Rate Bonds will be printed and delivered to the beneficial owners thereof and, thereafter, the Variable Rate Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar for the Variable Rate 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 Variable Rate 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 Variable Rate Bond or any portion thereof in any authorized denominations, and in the case of the exchange of the unredeemed portion of a Variable Rate Bond which has been redeemed in part prior to maturity, such fees and charges will be paid by the Board. A Variable Rate Bond may be assigned by the execution of an assignment form on the Variable Rate Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar for the Variable Rate Bonds. A new Variable Rate Bond or Variable Rate Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Variable Rate Bond or Variable Rate Bonds being transferred or exchanged, at the designated corporate trust office of the Paying Agent/Registrar. New Variable Rate 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 Variable Rate Bond or Variable Rate Bonds surrendered for exchange or transfer.

See APPENDIX E herein for a description of the system to be utilized initially in regard to the ownership and transferability of the Variable Rate Bonds.

Limitation on Transfer of Variable Rate Bonds Called for Redemption

Neither the Board, the State, nor the Paying Agent/Registrar for the Variable Rate Bonds will be required (a) to issue, transfer, exchange or make any conversion of any Variable Rate 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 Variable Rate Bonds and ending at the close of business on the day of such mailing or (b) to transfer or exchange any Variable Rate 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 Variable Rate Bonds, the Paying Agent/Registrar is required to transfer or exchange any Variable Rate 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 Variable Rate Bond issued in exchange for or upon transfer of the Variable Rate Bond so selected for redemption of an appropriate legend to the effect that such new Variable Rate 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 RESOLUTIONS 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 Resolutions establish 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 Series ___ 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 Series ___ Bonds) [Prior to the date of delivery of the Bonds, the Bond Review Board is expected to certify that the maximum annual debt service in any fiscal year on debt payable from the general revenue fund [including the debt service on the Series ___ Bonds,] does not exceed 5% of the average of the amount of general revenue fund revenues, excluding revenues constitutionally dedicated for purposes other than payment of debt, for the three preceding fiscal years.]. 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 Resolutions, 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 Resolutions are 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.

Other Sources of Payment

Section 49-d-8 and the Texas Water Code provide that the State Participation Account, the EDAP Account, and the Financial Assistance 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 State Participation Bond Payment Account (with respect to the State Participation Bonds) (the "State Participation Bond Payment Account"), (ii) the Economically Distressed Areas Program Financial Assistance Bond Payment Account (with respect to the EDAP Financial Assistance Bonds) (the "EDAP Bond Payment Account"), and (iii) the Financial Assistance Account (with respect to the Financial Assistance Bonds) (the "Financial Assistance Bond Payment Account").

Accordingly, (i) the State Participation Account and the State Participation Bond Payment Account constitute sources of payment only for the State Participation Bonds, (ii) the EDAP Account and the EDAP Financial Assistance Bond Payment Account constitute a source of payment only for the EDAP Bonds, including the Series 2019F Bonds, and (iii) the Financial Assistance Account and the Financial Assistance Bond Payment Account constitute sources of payment only for the Financial Assistance Bonds, including the Series 2019C Bonds and the Series 2019E Bonds, as described in this Official Statement.

For purposes of the discussion below, the following capitalized term has the following meaning:

"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 for the Series 2019C Bonds and the Series 2019E Bonds and Development Fund II for the Series 2019F Bonds pursuant to Section 49-d-8; and
- (v) money deposited in the related account pursuant to Section 49-d-8.

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 Resolutions 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 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 Resolutions 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 Resolutions 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 Resolutions 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 Resolutions 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 Resolutions 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 Resolutions; 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.

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 is 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 and (iii) the EDAP Account and the EDAP Bond Payment Account constitute sources of payment only for the EDAP Bonds.

Financial Assistance Bonds

As a practice, the Board's policy historically has been that debt service on Financial Assistance Bonds (including the Series 2019C Bonds and the Series 2019E Bonds) be self-supporting, and has expected 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 "TEXAS WATER DEVELOPMENT BOARD – Water Infrastructure Fund." None of the Refunded Bonds to be refunded with the proceeds of the Series 2019C Bonds or the Series 2019E Bonds were issued to provide funds for the Water Infrastructure Fund.

Certain of the bonds to be refunded with the proceeds of the Series 2019C Bonds (identified in Schedule I as the Series [] Bonds) were issued to provide funds for the Financial Assistance Account that were transferred to the Rural Water Assistance Fund to make loans to Rural Political Subdivisions (see "TEXAS WATER DEVELOPMENT BOARD–Rural Water Assistance Fund"). The Series [] Bonds are hereinafter referred to sometimes as the "Refunded RWA Funds".

Financial Assistance Account. Consistent with the Texas Water Code and Section 49-d-8, the Financial Assistance Account receives the following money, which will be used as further 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 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 Financial Assistance Account for various fiscal years, including the fiscal year ended August 31, 20[___]. 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 or 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 “TEXAS WATER DEVELOPMENT BOARD – Water Infrastructure Fund”.

Financial Assistance Bonds Flow of Funds. On or before the date interest or interest and principal 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 from loans made to Rural Political Subdivisions from proceeds of the Refunded RWA Funds available in the Rural Water Assistance Fund, 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 an interest or principal payment date that the money available in the Financial Assistance Account or, in the case of the Refunded RWA Funds, the Rural Water Assistance Fund, 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.

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 authorizes the transfer of any such proceeds or prepayments so identified in said resolution to the Financial Assistance Bond Payment Account.

State Participation Bonds

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 currently anticipates that State Participation Bonds (including Series 2019D Bonds) will result in future draws on the State's general revenue fund. See "PLAN OF FINANCE – Background." Amounts specifically appropriated by the Legislature in support of debt service on State Participation 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".

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 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.

See APPENDIX B attached hereto for unaudited financial data relating to the State Participation Account for various fiscal years, including the fiscal year ended August 31, 20[___]. See "OTHER INFORMATION – Unaudited Financial Information."

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 "TEXAS WATER DEVELOPMENT BOARD – 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

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 (including the Series 2019F Bonds) will result in future draws on the State's general revenue funds. See "PLAN OF FINANCE – Background." 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 designated by the Board as issued for EDAP Projects;
- (ii) money from the sale, transfer, or lease of an 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.

See APPENDIX B attached hereto for unaudited financial data relating to the EDAP Account for various fiscal years, including the fiscal year ended August 31, 20[___]. See "OTHER INFORMATION – Unaudited Financial Information".

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. See "TEXAS WATER DEVELOPMENT BOARD – Development Fund II".

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 the Water Infrastructure Fund.

[Remainder of Page Intentionally Left Blank]

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

Constitutional Provision ⁽¹⁾	Purpose	August 31, 2018			
		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	53,492,380	-
Section 49-d-11 ⁽⁶⁾	DFUND II	6,000,000,000	72,185,000	-	5,937,044,429
Totals			<u>\$ 4,748,692,620</u>	<u>\$ 53,492,380</u>	<u>\$ 5,937,044,429</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 \$514,085,000 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.**

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, provide linked deposits to certain financial institutions for loans to certain entities and individuals for conservation projects, pay for the Board's conservation programs, pay costs of issuance for and debt service due on Texas Agricultural Water Conservation Bonds, and to pay the Board's related administrative expenses. Conservation programs, certain costs of which may be financed from the Agriculture Fund, include: (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

Constitutional Provision ⁽¹⁾	Purpose	Amount Authorized	Previously Issued	Authorized But Unissued
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 entities eligible for assistance under the Federal Act for eligible projects including the construction of publicly owned treatment works, managing stormwater, measures to reduce the demand for publicly owned treatment works capacity through water conservation, efficiency, or reuse, 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 in a number of ways, including making direct loans, purchasing or refinancing political subdivision bonds ("PSBs"), and providing loan guarantees.

Pursuant to Chapter 15, Subchapter J of the Texas Water Code ("Subchapter J"), which became effective June 17, 1987, the State created the State Water Pollution Control Revolving Fund (commonly referred to as the "Clean Water State Revolving Fund") for the purpose of providing financial assistance to eligible entities for authorized activities and uses. The Board currently provides financial assistance by purchasing PSBs or making loans to eligible entities, which may take the form of loans, principal forgiveness, or bonds.

The Board purchases PSBs and makes loans under the CWSRF program with terms up to thirty (30) years, but in no event longer than the projected useful life of the project financed or refinanced.

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 loans, purchasing or retiring existing debt, and providing loan guarantees for expenditures that facilitate compliance with the primary national drinking water regulations. 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, in order to secure its PSB repayment obligations.

Pursuant to Subchapter J, the State created the DWSRF for the purpose of providing financial assistance to political subdivisions and water supply corporations. The Legislature expanded the program to allow funding for privately owned corporations for loan subsidies, provided that only appropriated funds and federal grants are utilized for such purpose. The Board currently provides financial assistance by purchasing political subdivision bonds and making loans to eligible entities, which may take the form of loans, principal forgiveness, or bonds. The Board purchases PSBs under the DWSRF program with terms up to thirty (30) years from project completion, but in no event longer than the expected design life of the project financed or refinanced.

State 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, including by direct loan, 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. Chapter 15, Subchapter G of the Texas Water Code ("Subchapter G") 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 Chapter 15, Subchapter H, of the Texas Water Code ("Subchapter H"), 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 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) contract for outreach, financial, planning, and technical assistance to assist Rural Political Subdivisions in obtaining financial 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. In 1998, the State 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, and reappointed to a new term by Governor Greg Abbott on February 6, 2019, subject to confirmation by the State Senate. 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's term expires on February 1, 2025.

Key Staff Members

Jeff Walker, Executive Administrator. Mr. Walker was named Executive Administrator of the TWDB on May 19, 2016. He has served in various positions at the TWDB for more than 25 years, including as an Agricultural Conservation Specialist, a Financial Analyst, a Non-point Source Coordinator, and Director of Project Development. In his most recent 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 SWIFT 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 Administrator 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 [_____, 2019], 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 Resolutions.

GENERAL INFORMATION REGARDING THE STATE

Available Information

The Texas Comptroller of Public Accounts (the "Comptroller") prepares (a) 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, (b) an annual Comprehensive Annual Financial Report ("CAFR"), which includes certain quantitative financial information and operating data with respect to the State and financial statements audited by the State Auditor, and (c) from time to time notices of certain events as described under "CONTINUING DISCLOSURE UNDERTAKING—Continuing Disclosure Undertaking of the Comptroller—Event Notices." All such documents are provided to the Municipal Securities Rulemaking Board (the "MSRB") and publicly accessible as described in "APPENDIX A – The State of Texas." The most current such documents are described in "APPENDIX A – The State of Texas" and incorporated herein by reference. No representation is made that such documents contain all facts material to an evaluation of the ability of the State to make timely payment of debt service on the Bonds, or the value of the Bonds, or that any specific information should be accorded any particular significance.

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 FIXED RATE BONDS**," "**THE VARIABLE RATE 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 Resolutions 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 form 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, Orrick, Herring & Sutcliffe LLP, 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 one or more of 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 opinions 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. Forms of Bond Counsel's opinions are reproduced as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinions are based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely on the 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 Resolutions subsequent to the issuance of the Bonds. The Resolutions contain 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 opinions are not a guarantee of a result, but represent 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 opinions of Bond Counsel, and Bond Counsel's opinions are 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 financial asset securitization investment trust ("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 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 Resolutions, 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 2019.

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 Resolutions) 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; (14) the appointment of a successor or additional Paying Agent/Registrar or the change of name of a Paying Agent/Registrar, if material; (15) incurrence of a Financial Obligation of the Board, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Board, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Board, any of which reflect financial difficulties.. 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 an Amended and Restated Continuing Disclosure Agreement with the Bond Review Board dated March 12, 2019. 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 (which include the Bonds), 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 as described below.

Annual Reports. The Comptroller will provide certain updated financial information and operating data to the MSRB annually. Under its disclosure agreement, the Comptroller is not obligated to provide such financial and operating data more frequently than on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the State of the general type included in [Bond Appendix or "Appendix A – The State of Texas"]. The Comptroller will update and provide this information within 195 days after the end of each fiscal year of the State.

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 need 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 for each fiscal year within 195 days after that date 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.

Quarterly Reports. Although it is not contractually committed to do so, the Comptroller currently prepares and files with the MSRB a quarterly Bond Appendix which provides a general description of the State and sets forth certain information regarding the State, including its government, finances, economic profile, and other matters, for use by State entities when issuing debt. Certain tables within the Bond Appendix are updated on a quarterly basis while other tables within the Bond Appendix are updated on a semiannual or annual basis. Certain information provided in the Bond Appendix will be provided on a cash basis and will not be audited. The Comptroller generally files an updated Bond Appendix with the MSRB within two weeks after each January 31, April 30, July 31, and October 31, and it may file voluntary notices of significant events with the MSRB between Bond Appendices, although there is no assurance that it will continue such voluntary filings at such times or at all in the future.

Event Notices. The Comptroller will also provide notice to the MSRB of any of the following events with respect to the Bonds on a timely basis no later than 10 business days after the event: (a) the incurrence of a financial obligation (as defined in the Rule, including certain debt, debt-like, and debt-related obligations) of the State, if material, or an agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation, any of which affect security holders, if material; or (b) a default, event of acceleration, termination event, modification of terms, or other similar event under the terms of any such financial obligation of the State, any of which reflect financial difficulties.

[The Comptroller will also provide timely notice to the MSRB of any failure to provide information, data, or financial statements in accordance with its agreement.]

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.

The quarterly Bond Appendix, if and when filed, the State's CAFR, and annual financial and operating information, and event notices, if any, may be obtained by using the Quick Search function and entering the term "State of Texas Comptroller." The most recently prepared Bond Appendix, CAFR, and notices may also be accessed on the Comptroller's website at: [\https://comptroller.texas.gov/programs/systems/treasury-ops/index.php and <https://comptroller.texas.gov/transparency/reports/comprehensive-annual-financial/>].

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 Series 2019C 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 Underwriters have agreed, subject to certain conditions, to purchase the Series 2019D 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 Underwriters have agreed, subject to certain conditions, to purchase the Series 2019E 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 Underwriters have agreed, subject to certain conditions, to purchase the Series 2019F 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.

One of the Underwriters is BOK Financial Securities, Inc., which is not a bank, and the Bonds are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

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 2018 CAFR, respectively, and the Board and the Comptroller assume 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 Resolutions contained in this Official Statement are made subject to all of the provisions of such statutes and documents and the Resolutions. 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.

Verification of Arithmetical and Mathematical Computations

Public Finance Partners LLC will deliver to the Board, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes. Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the Board. In addition, Public Finance Partners LLC has relied on any information provided to it by the Board's retained advisors, consultants and legal counsel.

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.

Website references

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein (or in any other document expressly incorporated herein) are not incorporated into, and are not part of, this Official Statement, including for purposes of, and as that term is defined in, the Rule.

Approval of Official Statement

The Resolutions approve 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, 2019 at the price of par plus accrued interest to the redemption date.

Bonds Refunded by Series 2019C Bonds

Water Financial Assistance Bonds, Series 2009C-1

<u>Original Dated Date</u>	<u>Maturity (August 1)</u>	<u>Interest Rate</u>	<u>Amount</u>
June 30, 2009	2020	5.000%	\$ 2,345,000
	2021	4.000%	2,515,000
	2022	5.000%	2,665,000
	2023	5.000%	2,845,000
	2024	5.000%	3,035,000
	2025	5.000%	3,230,000
	2026	5.000%	3,420,000
	2027	5.000%	3,615,000
	2028	5.000%	3,830,000
	2029	5.000%	4,040,000
			<u>\$ 31,540,000</u>

Water Financial Assistance Refunding Bonds, Series 2009C-2

<u>Original Dated Date</u>	<u>Maturity (August 1)</u>	<u>Interest Rate</u>	<u>Amount</u>
June 30, 2009	2020	5.000%	\$ 5,020,000
	2021	4.000%	4,480,000
	2022	4.100%	5,330,000
	2023	4.125%	4,220,000
	2024	3.500%	950,000
			<u>\$ 20,000,000</u>

Water Financial Assistance Bonds, Series 2010A

<u>Original Dated Date</u>	<u>Maturity (August 1)</u>	<u>Interest Rate</u>	<u>Amount</u>
April 13, 2010	2020	3.625%	\$ 1,140,000
	2021	3.400%	1,180,000
	2022	3.500%	1,220,000
	2023	3.650%	1,265,000
	2024	4.000%	1,310,000
	2025	4.000%	1,365,000
	2026	4.000%	1,420,000
	2027	4.000%	1,475,000
	2028	4.100%	1,535,000
	2029	4.150%	1,595,000
	2030	4.250%	1,660,000
			<u>\$ 15,165,000</u>

* Preliminary, subject to change

All of the Refunded Bonds shown will be redeemed on August 1, 2019 at the price of par plus accrued interest to the redemption date.

Bonds Refunded by Series 2019D Bonds

Water Financial Assistance Bonds, Series 2010C

<u>Original Dated Date</u>	<u>Maturity (August 1)</u>	<u>Interest Rate</u>	<u>Amount</u>
May 11, 2010	2020	4.000%	\$ 1,150,000
	2021	5.000%	2,140,000
	2022	5.000%	1,940,000
	2023	5.000%	2,240,000
	2024	5.000%	2,240,000
	2025	5.000%	2,240,000
	2026	5.000%	2,240,000
	2027	5.000%	2,240,000
	2028	5.000%	2,235,000
	2029	5.000%	2,235,000
	2030	5.000%	2,235,000
	2020	4.500%	1,090,000
	2021	4.000%	100,000
	2022	4.000%	300,000
			<u>\$ 24,625,000</u>

* Preliminary, subject to change

All of the Refunded Bonds shown will be redeemed on August 1, 2019 at the price of par plus accrued interest to the redemption date.

Bonds Refunded by Series 2019E Bonds

Water Financial Assistance Bonds, Series 2009F

<u>Original Dated Date</u>	<u>Maturity (August 1)</u>	<u>Interest Rate</u>	<u>Amount</u>
December 15, 2009	2020	5.000%	\$ 4,675,000
	2021	5.000%	4,670,000
	2022	5.000%	4,670,000
	2023	5.000%	4,670,000
	2024	4.000%	4,670,000
	2025	5.000%	4,670,000
	2026	5.000%	4,670,000
	2027	5.000%	4,670,000
	2028	5.000%	4,670,000
	2029	5.000%	3,965,000
			<u>\$ 46,000,000</u>

Water Financial Assistance Refunding Bonds, Series 2010B

<u>Original Dated Date</u>	<u>Maturity (August 1)</u>	<u>Interest Rate</u>	<u>Amount</u>
May 11, 2010	2020	5.000%	\$ 3,050,000
	2021	5.000%	7,160,000
	2022	5.000%	7,160,000
	2023	5.000%	7,160,000
	2024	5.000%	7,160,000
	2025	5.000%	7,160,000
	2026	5.000%	7,160,000
	2027	5.000%	7,160,000
	2028	5.000%	7,160,000
	2029	5.000%	7,160,000
	2030	5.000%	5,810,000
	2020	4.500%	4,110,000
	2030	4.125%	1,350,000
			<u>\$ 78,760,000</u>

* Preliminary, subject to change

All of the Refunded Bonds shown will be redeemed on August 1, 2019 at the price of par plus accrued interest to the redemption date.

Bonds Refunded by Series 2019F Bonds

Water Financial Assistance Bonds, Series 2009F

<u>Original Dated Date</u>	<u>Maturity (August 1)</u>	<u>Interest Rate</u>	<u>Amount</u>
December 15, 2009	2020	4.000%	\$ 1,240,000
	2021	5.000%	1,240,000
	2022	4.250%	1,240,000
	2023	4.375%	1,240,000
	2024	4.000%	1,235,000
	2025	4.000%	1,235,000
	2026	4.000%	1,235,000
			<u>\$ 8,665,000</u>

* Preliminary, subject to change

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

THE STATE OF TEXAS

As described in the Official Statement under “CONTINUING DISCLOSURE UNDERTAKING—Continuing Disclosure Undertaking of the Comptroller,” the Texas Comptroller of Public Accounts (Comptroller) is required to file updated annual financial and operating data, audited financial statements of the State when received, and timely notice of certain events with the Municipal Securities Rulemaking Board (MSRB), and the Comptroller voluntarily files quarterly Bond Appendices and occasional notices of significant events.

The Official Statement hereby incorporates by reference the previously filed documents listed below, except for any information superseded by information that is included directly in the Official Statement or incorporated by reference in a subsequent such document, as well as any future filings that the Comptroller makes with the MSRB through EMMA prior to the termination of the offering of the Bonds under the Official Statement:

- State of Texas Comprehensive Annual Financial Report (CAFR) for the fiscal year ended August 31, [20__]
- Appendix A: The State of Texas ([February 2019])
- Each notice, if any, filed with the MSRB by the Comptroller since the end of the fiscal year of the State addressed in the foregoing CAFR.

These documents and any subsequently filed documents, if any, may be obtained by accessing EMMA at <https://emma.msrb.org/>, using the MSRB Quick Search function and entering the term “State of Texas Comptroller.” The documents may also be accessed on the Comptroller’s website at: <https://comptroller.texas.gov/programs/systems/treasury-ops/index.php> and <https://comptroller.texas.gov/transparency/reports/comprehensive-annual-financial/>. For further information see “Continuing Disclosure Undertaking--Continuing Disclosure Undertaking of the Comptroller” in the Official Statement.

Information in the Bond Appendix, CAFR, and any notice incorporated herein by reference is provided as of the date specified in the document. No representation is made that such documents contain all facts material to an evaluation of the ability of the State to pay principal of and interest on the Bonds when due, or the value of the Bonds, or that any specific information should be accorded any particular significance.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B
SELECTED FINANCIAL DATA (UNAUDITED)

Unaudited⁽¹⁾

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

August 31,

	2014	2015	2016	2017	2018
ASSETS					
Current Assets:					
Cash and Cash Equivalents:					
Cash in State Treasury	86,441,332	56,045,096.96	92,426,423.82	81,390,753	91,528,940
Receivables from:					
Interest and Dividends	12,485,259	40,719,692.72	50,027,981.61	50,112,663	49,100,085
Accounts Receivable					
Interfund Receivables	15,621,931	31,890,448.40	25,317,840.08	25,022,215	26,038,798
Due From Other Funds	53,632,348	80,414,334.28	67,780,915.10	67,308,673	74,523,221
Loans and Contracts	28,546,690	24,801,731.48	26,530,284.49	25,032,785	31,263,815
Total Current Assets	196,727,558	233,871,304	262,083,445	248,867,089	272,454,858
Non-Current Assets:					
Loans and Contracts	918,572,727	867,220,593.80	1,090,183,619.48	1,100,395,834	1,081,217,864
Interfund Receivables	319,964,622	345,392,103.83	340,756,562.18	311,599,347	302,001,377
Total Non-Current Assets	1,238,537,348	1,212,612,698	1,430,940,182	1,411,995,182	1,383,219,242
Total Assets	1,435,264,907	1,446,484,001	1,693,023,627	1,660,862,271	1,655,674,100
LIABILITIES					
Current Liabilities:					
Payables from:					
Accounts Payable	24,596		36,065.36	-	-
Interest Payable	4,872,862	4,032,514.83	6,962,659.27	6,838,535	6,713,351
Due to Other Funds	50,955,652	80,414,334.28	67,780,915.10	67,308,673	74,523,221
G. O. Bonds Payable	46,086,849	54,529,132.96	60,818,599.25	60,504,777	67,848,620
Total Current Liabilities	101,939,960	138,975,982	135,598,239	134,651,985	149,085,191
Non-Current Liabilities:					
G. O. Bonds Payable (net)	1,135,606,767	1,092,289,072.85	1,329,585,027.74	1,283,578,237	1,248,166,576
Total Non-Current Liabilities	1,135,606,767	1,092,289,073	1,329,585,028	1,283,578,237	1,248,166,576
Total Liabilities	1,237,546,726	1,231,265,055	1,465,183,267	1,418,230,222	1,397,251,767
NET POSITION					
Unrestricted	197,718,180	215,218,947	227,840,360	242,632,049	258,422,332
Total Net Position	197,718,180	215,218,947	227,840,360	242,632,049	258,422,332

(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.

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,

	2014	2015	2016	2017	2018
OPERATING REVENUES:					
Licenses Fees & Permits		417,352	-	-	-
Interest and Investment Income	61,465,749	80,368,323	77,651,475	67,348,014	66,098,215
Total Operating Revenues	61,465,749	80,785,674	77,651,475	67,348,014	66,098,215
OPERATING EXPENSES:					
Professional Fees and Services	226,013	552,663	1,680,613	474,971	523,179
Travel			6,888	1,255	-
Printing and Reproduction		1,816	1,214	2,951	1,284
Interest	53,352,986	48,003,879	58,901,716	52,120,852	49,773,969
Other Operating Expenses	749,894	(300,321)	476,889	19,000	9,500
Total Operating Expenses	54,328,893	48,258,037	61,067,320	52,619,029	50,307,931
Operating Income (Loss)	7,136,856	32,527,637	16,584,155	14,728,985	15,790,284
Income/(Loss) before Other Revenues, Expenses, Gains/Losses and Transfers	7,136,856	32,527,637	16,584,155	14,728,985	15,790,284
OTHER REVENUES, EXPENSES, GAINS/LOSSES AND TRANSFERS:					
Transfers-In	53,342,515	146,116,608	40,266,006	61,650,456	63,143,501
Transfers-Out	(53,342,515)	(146,114,608)	(44,228,747)	(61,587,753)	(63,143,501)
Total Other Revenue, Expenses, Gain/Losses and Transfers	-	2,000	(3,962,741)	62,704	-
Change in Net Position	7,136,856	32,529,637	12,621,413	14,791,689	15,790,284
Total Net Position, September 1, Restatements	190,581,324	182,689,309	215,218,947	227,840,360	242,632,049
Total Net Assets, September 1, as Restated	190,581,324	182,689,309	215,218,947	227,840,360	242,632,049
Total Net Position, August 31, Ending	197,718,180	215,218,947	227,840,360	242,632,049	258,422,332

(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.

Texas Water Development Board
Statement of Net Position – State Participation Program Funds

August 31,

	Statement of Net Assets 2014 (2)	Statement of Net Assets 2015	Statement of Net Assets 2016	Statement of Net Assets 2017	Statement of Net Assets 2018
ASSETS					
Current Assets:					
Cash and Cash Equivalents:					
Cash in State Treasury	\$ 37,416,432	\$ 35,105,015	\$ 31,996,565	23,934,296	23,229,034
Interest and Dividends	1,659,427	4,405,096	5,501,178	5,949,760	6,857,424
Accounts Receivable					
Due From Other Funds	1,939,743	1,647,230	4,010,312	2,982,148	2,971,483
Total Current Assets	41,015,603	41,157,340.82	41,508,054	32,866,205	33,057,942
Non-Current Assets:					
Loans & Contracts	122,033,000	122,033,000	122,033,000	122,033,000	122,033,000
Total Noncurrent Assets	122,033,000	122,033,000.00	122,033,000	122,033,000	122,033,000
Total Assets	163,048,603	163,190,340.82	163,541,054	154,899,205	155,090,942
LIABILITIES AND FUND BALANCES					
Liabilities:					
Current Liabilities:					
Payables From:					
Accounts Payable			3,861	-	-
Interest Payable	455,613	450,700	430,327	392,399	384,819
Due To Other Funds	1,939,743	1,647,230	4,010,312	2,982,148	2,971,483
General Obligation Bonds Payable	1,642,316	3,192,316	3,858,756	2,593,756	2,588,756
Total Current Liabilities	4,037,673	5,290,245.65	8,303,256	5,968,303	5,945,058
Non-Current Liabilities:					
General Obligation Bonds Payable	120,699,743	117,507,427	113,731,029	105,987,273	103,398,516
Total Non-Current Liabilities	120,699,743	117,507,426.84	113,731,029	105,987,273	103,398,516
Total Liabilities	124,737,416	122,797,672.49	122,034,285	111,955,575	109,343,574
Government-wide Statement - Net Position					
Net Position:					
Restricted for:					
Other	38,311,187	40,392,668	41,506,769	42,943,629	45,747,368
Total Net Position	38,311,187	40,392,668.33	41,506,769	42,943,629	45,747,368

- (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.
- (3) In fiscal year 2014, the balances associated with the state participation program were restated to the proprietary enterprise fund type. The activity of the state participation program is now fully supported by the loan repayments and thus meets one of the required enterprise fund reporting criteria.

Texas Water Development Board
Statement of Revenues, Expenses, and Changes in Fund Net Position -
State Participation Program Funds

For the Fiscal Year Ended August 31,

	Statement of Activities 2014 (2)	Statement of Activities 2015	Statement of Activities 2016	Statement of Activities 2017	Statement of Activities 2018
REVENUES					
Licenses, Fees & Permits					
Interest and Other Investment Income	\$ 3,905,354	7,393,903	6,731,182	6,269,321	7,235,603
Total Revenues	3,905,354	7,393,903	6,731,182	6,269,321	7,235,603
EXPENDITURES					
Professional Fees and Services	13,310	7,292	61,827	12,340	9,417
Travel			412	60	-
Printing and Reproduction				90	-
Other Expenditures	129,338	-	9,500	-	-
Debt service:					
Principal					
Interest (FFS)					
Interest on Long-Term Debt (GWFS)	5,494,427	5,305,129	5,545,342	4,819,971	4,422,448
Total Expenditures/Expenses	5,637,075	5,312,422	5,617,081	4,832,461	4,431,865
Excess (Deficiency) of Revenues Over Expenditures	(1,731,721)	2,081,482	1,114,101	1,436,860	2,803,738
OTHER FINANCING SOURCES (USES)					
Bond and Note Proceeds					
Transfers In	10,581,700	7,039,962	3,897,284	8,379,114	4,419,761
Transfers Out	(10,582,373)	(7,039,962)	(3,897,284)	(8,379,114)	(4,419,761)
Total Other Financing Sources and Uses	(673)	-	-	-	-
Net Change in Fund Balances/Net Assets	(1,732,394)	2,081,482	1,114,101	1,436,860	2,803,738
Fund Financial Statement-Fund Balances					
Fund Balances--Beginning	164,780,997	38,311,187	40,392,668	41,506,769	42,943,629
Restatements	(124,737,416)				
Fund Balances, September 1, as Restated	40,043,581	38,311,187	40,392,668	41,506,769	42,943,629
Fund Balances--August 31, Ending	38,311,187	40,392,668	41,506,769	42,943,629	45,747,368
Government-wide Statement - Net Position					
Net Position--Beginning					
Net Position--August 31, Ending					

- (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 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.
- (3) In fiscal year 2014, the balances associated with the state participation program were restated to the proprietary enterprise fund type. The activity of the state participation program is now fully supported by the loan repayments and thus meets one of the required enterprise fund reporting criteria.

Texas Water Development Board
Balance Sheet – Water Infrastructure Fund

August 31,

	Governmental Funds Total 2014	Long-Term Liabilities Adjustments 2014	Statement of Net Assets 2014	Governmental Funds Total 2015	Long-Term Liabilities Adjustments 2015	Statement of Net Assets 2015
ASSETS						
Current Assets:						
Cash and Cash Equivalents:						
Cash in State Treasury	4,165,512		4,165,512	4,494,165		4,494,165
Receivables From:						
Interest and Dividends	2,879,127		2,879,127	11,594,674		11,594,674
Accounts Receivable			-			-
Due From Other Funds						
Loans and Contracts	37,912,000		37,912,000	40,213,000		40,213,000
Total Current Assets	44,956,639	-	44,956,639	56,301,839	-	56,301,839
Non-Current Assets:						
Loans & Contracts	790,541,000		790,541,000	750,478,717		750,478,717
Total Noncurrent Assets	790,541,000	-	790,541,000	750,478,717	-	750,478,717
Total Assets	835,497,639	-	835,497,639	806,780,556	-	806,780,556
LIABILITIES AND FUND BALANCES						
Liabilities:						
Current Liabilities:						
Payables From:						
Accounts Payable		2,835,234	2,835,234		2,703,901	2,703,901
Interest Payable			140,000	285,000		285,000
Interfund Payable	140,000		140,000			
Due To Other Funds	17,459		17,459			-
General Obligation Bonds Payable		41,708,335	41,708,335		42,498,335	42,498,335
Total Current Liabilities	157,459	44,543,570	44,701,029	285,000	45,202,236	45,487,236
Non-Current Liabilities:						
Interfund Payables	2,435,000		2,435,000	2,290,000		2,290,000
General Obligation Bonds Payable		722,799,349	722,799,349		680,301,014	680,301,014
Total Non-Current Liabilities	2,435,000	722,799,349	725,234,349	2,290,000	680,301,014	682,591,014
Total Liabilities	2,592,459	767,342,919	769,935,378	2,575,000	725,503,250	728,078,250
Fund Financial Statement - Fund Balances						
Fund Balances (Deficits):						
Restricted	832,905,180			804,205,556		
Total Fund Balances	832,905,180			804,205,556		
Total Liabilities and Fund Balances	835,497,639			806,780,556		
Government-wide Statement - Net Position						
Net Position:						
Restricted for:						
Debt Retirement			-			-
Other		(767,342,919)	65,562,262		(725,503,250)	78,702,306
Total Net Position		(767,342,919)	65,562,262		(725,503,250)	78,702,306

(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.

Governmental Funds Total 2016	Long-Term Liabilities Adjustments 2016	Statement of Net Assets 2016	Governmental Funds Total 2017	Long-Term Liabilities Adjustments 2017	Statement of Net Assets 2017	Governmental Funds Total 2018	Long-Term Liabilities Adjustments 2018	Statement of Net Assets 2018
4,781,324		4,781,324	5,409,572		5,409,572	5,851,135		5,851,135
2,276,315		2,276,315	2,116,271		2,116,271	2,274,453		2,274,453
		-			-			-
40,945,000		40,945,000	46,018,000		46,018,000	45,919,000		45,919,000
48,002,639	-	48,002,639	53,543,843	-	53,543,843	54,044,587	-	54,044,587
709,383,000		709,383,000	654,008,000		654,008,000	608,089,000		608,089,000
709,383,000	-	709,383,000	654,008,000	-	654,008,000	608,089,000	-	608,089,000
757,385,639	-	757,385,639	707,551,843	-	707,551,843	662,133,587	-	662,133,587
						292,000		292,000
150,000	2,555,914	2,555,914	160,000	2,360,193	2,360,193	165,000	2,089,355	2,089,355
		150,000			160,000			165,000
		-			-			-
	43,233,335	43,233,335		44,258,335	44,258,335		49,502,327	49,502,327
150,000	45,789,249	45,939,249	160,000	46,618,528	46,778,528	457,000	51,591,681	52,048,681
2,140,000		2,140,000	1,980,000		1,980,000	1,815,000		1,815,000
	637,067,679	637,067,679		583,454,343	583,454,343		523,070,283	523,070,283
2,140,000	637,067,679	639,207,679	1,980,000	583,454,343	585,434,343	1,815,000	523,070,283	524,885,283
2,290,000	682,856,927	685,146,927	2,140,000	630,072,871	632,212,871	2,272,000	574,661,964	576,933,964
755,095,639			705,411,843			659,861,587		
755,095,639			705,411,843			659,861,587		
757,385,639			707,551,843			662,133,587		
	(682,856,927)	72,238,711		(630,072,871)	75,338,972		(574,661,964)	85,199,623
	(682,856,927)	72,238,711		(630,072,871)	75,338,972		(574,661,964)	85,199,623

Texas Water Development Board
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Water Infrastructure Fund

For the Fiscal Year Ended August 31,

	Governmental Funds Total 2014	Long-Term Liabilities Adjustments 2014	Statement of Activities 2014	Governmental Funds Total 2015	Long-Term Liabilities Adjustments 2015	Statement of Activities 2015
REVENUES						
Interest and Other Investment Income	12,186,687		12,186,687	20,118,049		20,118,049
Total Revenues	12,186,687	-	12,186,687	20,118,049	-	20,118,049
EXPENDITURES						
Professional Fees and Services	15,250		15,250	19,000		19,000
Travel			-			-
Printing and Reproduction			-			-
Other Expenditures			-			-
Debt service:						
Principal	37,450,000	(37,450,000)	-	37,995,000	(37,995,000)	-
Interest (FFS)	35,547,259	(35,547,259)	-	34,075,190	(34,075,190)	-
Interest on Long-Term Debt (GWFS)		31,719,011	31,719,011		30,230,521	30,230,521
Total Expenditures/Expenses	73,012,509	(41,278,247)	31,734,261	72,089,190	(41,839,669)	30,249,521
Excess (Deficiency) of Revenues Over Expenditures	(60,825,822)	41,278,247	(19,547,574)	(51,971,141)	41,839,669	(10,131,472)
OTHER FINANCING SOURCES (USES)						
Bond and Note Proceeds			-			-
Transfers In	72,840,808		72,840,808	72,040,666		72,040,666
Transfers Out	(48,589,043)		(48,589,043)	(48,769,150)		(48,769,150)
Total Other Financing Sources and Uses	24,251,765	-	24,251,765	23,271,516	-	23,271,516
Net Change in Fund Balances/Net Position	(36,574,057)	41,278,247	4,704,191	(28,699,625)	41,839,669	13,140,044
Fund Financial Statement - Fund Balances						
Fund Balances--Beginning	869,479,237			832,905,180		
Fund Balances--August 31,	832,905,180			804,205,556		
Government-wide Statement - Net Position						
Net Position--Beginning		(808,621,166)	60,858,071		(767,342,919)	65,562,262
Net Position--August 31,		(767,342,919)	65,562,262		(725,503,250)	78,702,305

(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.

Governmental Funds Total 2016	Long-Term Liabilities Adjustments 2016	Statement of Activities 2016	Governmental Funds Total 2017	Long-Term Liabilities Adjustments 2017	Statement of Activities 2017	Governmental Funds Total 2018	Long-Term Liabilities Adjustments 2018	Statement of Activities 2018
2,492,619		2,492,619	11,960,629		11,960,629	12,108,747		12,108,747
2,492,619	-	2,492,619	11,960,629	-	11,960,629	12,108,747	-	12,108,747
5,000		5,000	7,850		7,850	352,290		352,290
		-			-	2,629		2,629
		-			-		1,363,286	1,363,286
38,785,000	(38,785,000)	-	48,875,000	(48,875,000)	-	40,545,000	(40,545,000)	-
32,579,513	(32,579,513)	-	31,112,662	(31,112,662)	-	28,440,025	(28,440,025)	-
	28,718,190	28,718,190		27,203,606	27,203,606		12,210,832	12,210,832
71,369,513	(42,646,323)	28,723,190	79,995,512	(52,784,056)	27,211,456	69,339,943	(55,410,907)	13,929,037
(68,876,894)	42,646,323	(26,230,571)	(68,034,883)	52,784,056	(15,250,827)	(57,231,197)	55,410,907	(1,820,290)
71,231,813		-	79,922,443		-	534,430		534,430
(51,464,836)		71,231,813	(61,571,356)		79,922,443	68,903,214		68,903,214
19,766,976	-	19,766,976	18,351,088	-	18,351,088	11,680,941	-	11,680,941
(49,109,918)	42,646,323	(6,463,595)	(49,683,796)	52,784,056	3,100,261	(45,550,256)	55,410,907	9,860,651
804,205,556			755,095,639			705,411,843		
755,095,638			705,411,843			659,861,587		
	(725,503,250)	78,702,305		(682,856,927)	72,238,711		(630,072,871)	75,338,972
	(682,856,927)	72,238,711		(630,072,871)	75,338,972		(574,661,964)	85,199,623

Texas Water Development Board
Balance Sheet – Economically Distressed Area Program (EDAP) Funds

August 31,

	Governmental Funds Total 2014	Long-Term Liabilities Adjustments 2014	Statement of Net Assets 2014	Governmental Funds Total 2015	Long-Term Liabilities Adjustments 2015	Statement of Net Assets 2015
ASSETS						
Current Assets:						
Cash and Cash Equivalents:						
Cash in State Treasury	3,738,953		3,738,953	1,524,232		1,524,232
Receivables From:						
Interest and Dividends	206,939		206,939	600,679		600,679
Accounts Receivable			-			-
Loans and Contracts	1,633,815		1,633,815	1,518,937		1,518,937
Total Current Assets	5,579,707	-	5,579,707	3,643,848	-	3,643,848
Non-Current Assets:						
Loans & Contracts	19,873,863	-	19,873,863	21,051,457	-	21,051,457
Total Noncurrent Assets	19,873,863	-	19,873,863	21,051,457	-	21,051,457
Total Assets	25,453,570	-	25,453,570	24,695,304	-	24,695,304
LIABILITIES AND FUND BALANCES						
Liabilities:						
Current Liabilities:						
Payables From:						
Accounts Payable			-			-
Interest Payable		673,071	673,071		627,790	627,790
General Obligation Bonds Payable		16,815,017	16,815,017		19,548,949	19,548,949
Total Current Liabilities	-	17,488,089	17,488,089	-	20,176,739	20,176,739
Non-Current Liabilities:						
General Obligation Bonds Payable		186,161,736	186,161,736		210,717,098	210,717,098
Total Non-Current Liabilities	-	186,161,736	186,161,736	-	210,717,098	210,717,098
Total Liabilities	-	203,649,825	203,649,825	-	230,893,838	230,893,838
Fund Financial Statement - Fund Balances						
Fund Balances (Deficits):						
Restricted	25,453,570			24,695,304		
Total Fund Balances	25,453,570			24,695,304		
Total Liabilities and Fund Balances	25,453,570			24,695,304		
Government-wide Statement - Net Position						
Net Position:						
Restricted for:						
Debt Retirement		-	-		(230,893,838)	(206,198,534)
Unrestricted		(203,649,825)	(178,196,255)			
Total Net Position		(203,649,825)	(178,196,255)		(230,893,838)	(206,198,534)

(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.

Governmental Funds Total 2016	Long-Term Liabilities Adjustments 2016	Statement of Net Assets 2016	Governmental Funds Total 2017	Long-Term Liabilities Adjustments 2017	Statement of Net Assets 2017	Governmental Funds Total 2018	Long-Term Liabilities Adjustments 2018	Statement of Net Assets 2018
1,531,106		1,531,106	1,853,410		1,853,410	2,237,468		2,237,468
190,116		190,116	170,640		170,640	153,210		153,210
1,725,094		1,725,094	1,816,314		1,816,314	1,832,701		1,832,701
3,446,316	-	3,446,316	3,840,364	-	3,840,364	4,223,379	-	4,223,379
25,754,541		25,754,541	23,596,925	-	23,596,925	21,348,838	-	21,348,838
25,754,541	-	25,754,541	23,596,925	-	23,596,925	21,348,838	-	21,348,838
29,200,857	-	29,200,857	27,437,289	-	27,437,289	25,572,217	-	25,572,217
81,384		81,384	-		-	-		-
	815,102	815,102		754,898	754,898		672,578	672,578
	22,629,612	22,629,612		22,873,140	22,873,140		22,874,134	22,874,134
81,384	23,444,714	23,526,098	-	23,628,038	23,628,038	-	23,546,712	23,546,712
	236,539,316	236,539,316		213,764,093	213,764,093		190,889,959	190,889,959
-	236,539,316	236,539,316	-	213,764,093	213,764,093	-	190,889,959	190,889,959
81,384	259,984,030	260,065,414	-	237,392,131	237,392,131	-	214,436,671	214,436,671
29,119,473			27,437,289			25,572,217		
29,119,473			27,437,289			25,572,217		
29,200,857			27,437,289			25,572,217		
	(259,984,030)	(230,864,557)		(237,392,131)	(209,954,842)		(214,436,671)	(188,864,454)
	(259,984,030)	(230,864,557)		(237,392,131)	(209,954,842)		(214,436,671)	(188,864,454)

Texas Water Development Board
Statement of Revenues, Expenses, and Changes in Fund Balance -
Economically Distressed Area Program (EDAP) Funds

For the Fiscal Year Ended August 31,

	Governmental Funds Total 2014	Long-Term Liabilities Adjustments 2014	Statement of Activities 2014	Governmental Funds Total 2015	Long-Term Liabilities Adjustments 2015	Statement of Activities 2015
REVENUES						
Interest and Other Investment Income	711,588		711,588	1,002,879		1,002,879
Total Revenues	711,588	-	711,588	1,002,879	-	1,002,879
EXPENDITURES						
Professional Fees and Services	21,143		21,143	121,490		121,490
Travel			-			-
Printing and Reproduction			-	908		908
Intergovernmental Payments	2,596,200		2,596,200	2,962,110		2,962,110
Public Assistance Payments	1,485,232		1,485,232	46,048,916		46,048,916
Other Expenditures	86,621		86,621	91,003		91,003
Debt service:						
Principal	15,980,000	(15,980,000)	-	21,930,000	(21,930,000)	-
Interest (FFS)	8,820,246	(8,820,246)	-	8,112,762	(8,112,762)	-
Interest on Long-Term Debt (GWFS)		8,100,868	8,100,868		7,377,655	7,377,655
Total Expenditures/Expenses	28,989,443	(16,699,378)	12,290,065	79,267,188	(22,665,107)	56,602,081
Excess (Deficiency) of Revenues Over Expenditures	(28,277,855)	16,699,378	(11,578,477)	(78,264,309)	22,665,107	(55,599,202)
OTHER FINANCING SOURCES (USES)						
Bond and Note Proceeds			-	49,909,119	(49,909,119)	-
Transfers In	25,122,228		25,122,228	32,000,436		32,000,436
Transfers Out	(2,620,921)		(2,620,921)	(4,403,513)		(4,403,513)
Total Other Financing Sources and Uses	22,501,306	-	22,501,306	77,506,043	(49,909,119)	27,596,924
Net Change in Fund Balances/Net Position	(5,776,549)	16,699,378	10,922,829	(758,266)	(27,244,013)	(28,002,279)
Fund Financial Statement - Fund Balances						
Fund Balances--Beginning	31,230,119			25,453,570		
Fund Balances--August 31, Ending	25,453,570			24,695,304		
Government-Wide Statement of Net Position						
Net Position--Beginning		(220,349,203)	(189,119,084)		(203,649,825)	(178,196,255)
Net Position--August 31, Ending		(203,649,825)	(178,196,255)		(230,893,838)	(206,198,534)

(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.

Governmental Funds Total 2016	Long-Term Liabilities Adjustments 2016	Statement of Activities 2016	Governmental Funds Total 2017	Long-Term Liabilities Adjustments 2017	Statement of Activities 2017	Governmental Funds Total 2018	Long-Term Liabilities Adjustments 2018	Statement of Activities 2018
310,482		310,482	766,675		766,675	724,763		724,763
310,482	-	310,482	766,675	-	766,675	724,763	-	724,763
265,063	252,783	517,847	69,581	52,416	121,997	10,747	-	10,747
3,085		3,085	434		434	-		-
-		-	617		617	-		-
26,819,949		26,819,949	-		-	(6,000)		(6,000)
16,547,000		16,547,000	-		-	-		-
9,500		9,500	9,500		9,500	-		-
20,030,000	(20,030,000)	-	20,825,000	(20,825,000)	-	20,890,000	(20,890,000)	-
9,533,398	(9,533,398)	-	9,781,225	(9,781,225)	-	8,982,432	(8,982,432)	-
	8,498,675	8,498,675		7,900,722	7,900,722		6,916,972	6,916,972
73,207,995	(20,811,940)	52,396,055	30,686,357	(22,653,087)	8,033,270	29,877,178	(22,955,460)	6,921,718
(72,897,513)	20,811,940	(52,085,573)	(29,919,683)	22,653,087	(7,266,596)	(29,152,415)	22,955,460	(6,196,955)
49,902,132	(49,902,132)	-	61,188	(61,188)	-	-	-	-
29,880,411		29,880,411	30,674,769		30,674,769	29,886,794		29,886,794
(2,465,548)		(2,465,548)	(2,493,687)		(2,493,687)	(2,599,451)		(2,599,451)
77,316,995	(49,902,132)	27,414,863	28,242,269	(61,188)	28,181,082	27,287,343	-	27,287,343
4,419,482	(29,090,192)	(24,670,710)	(1,677,413)	22,591,899	20,914,486	(1,865,072)	22,955,460	21,090,388
24,699,991			29,114,703			27,437,290		
29,119,473			27,437,290			25,572,218		
	(230,893,838)	(206,198,534)		(259,984,030)	(230,869,328)		(237,392,131)	(209,954,842)
	(259,984,030)	(230,869,244)		(237,392,131)	(209,954,842)		(214,436,671)	(188,864,454)

[THIS PAGE INTENTIONALLY LEFT BLANK]

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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

SCHEDULE OF DEBT SERVICE REQUIREMENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

SCHEDULE OF DEBT SERVICE REQUIREMENTS*

\$ _____
State of Texas
General Obligation Bonds
Water Financial Assistance Refunding Bonds,
Series 2019 C,D,E and F

* Preliminary, subject to change.

[THIS PAGE INTENTIONALLY LEFT BLANK]

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 an 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 Resolutions will be given only to DTC.

[THIS PAGE INTENTIONALLY LEFT BLANK]



SOURCES AND USES OF FUNDS

**Texas Water Development Board
Water Financial Assistance Refunding Bonds, Series 2019 CDEF**

Dated Date 06/12/2019
Delivery Date 06/12/2019

Sources:	Water Financial Assistance Refunding Bonds, Series 2019C1&2 (DFUND)	Water Financial Assistance Refunding Bonds, Series 2019D (SP)	Water Financial Assistance Refunding Bonds, Series 2019E1&2 (WIF)	Water Financial Assistance Refunding Bonds, Series 2019F (EDAP)	Total
Bond Proceeds:					
Par Amount	65,885,000.00	46,260,000.00	123,295,000.00	8,185,000.00	243,625,000.00
Premium	1,044,674.75	632,205.30	1,877,899.15	510,279.70	4,065,058.90
	<u>66,929,674.75</u>	<u>46,892,205.30</u>	<u>125,172,899.15</u>	<u>8,695,279.70</u>	<u>247,690,058.90</u>
Other Sources of Funds:					
Debt Service Fund Transfer	1,500,350.00	1,157,900.00	3,079,468.75	183,375.00	5,921,093.75
	<u>68,430,024.75</u>	<u>48,050,105.30</u>	<u>128,252,367.90</u>	<u>8,878,654.70</u>	<u>253,611,152.65</u>
Uses:					
Refunding Escrow Deposits:					
Cash Deposit	350.00	900.00	468.75	375.00	2,093.75
Open Market Purchases	67,980,014.21	47,734,020.10	127,417,301.33	8,818,813.37	251,950,149.01
	<u>67,980,364.21</u>	<u>47,734,920.10</u>	<u>127,417,770.08</u>	<u>8,819,188.37</u>	<u>251,952,242.76</u>
Delivery Date Expenses:					
Cost of Issuance	149,280.74	104,814.86	279,359.01	18,545.39	552,000.00
Underwriter's Discount	296,482.50	208,170.00	554,827.50	36,832.50	1,096,312.50
	<u>445,763.24</u>	<u>312,984.86</u>	<u>834,186.51</u>	<u>55,377.89</u>	<u>1,648,312.50</u>
Other Uses of Funds:					
Additional Proceeds	3,897.30	2,200.34	411.31	4,088.44	10,597.39
	<u>68,430,024.75</u>	<u>48,050,105.30</u>	<u>128,252,367.90</u>	<u>8,878,654.70</u>	<u>253,611,152.65</u>

BOND DEBT SERVICE

**Texas Water Development Board
Water Financial Assistance Refunding Bonds, Series 2019 CDEF**

Period Ending	Principal	Coupon	Interest	Debt Service
08/01/2020	28,535,000	2.000%	8,028,329.17	36,563,329.17
08/01/2021	26,870,000	3.000%	6,495,800.00	33,365,800.00
08/01/2022	27,625,000	3.000%	5,689,700.00	33,314,700.00
08/01/2023	24,860,000	** %	6,423,800.00	31,283,800.00
08/01/2024	20,750,000	** %	5,429,400.00	26,179,400.00
08/01/2025	20,915,000	** %	4,599,400.00	25,514,400.00
08/01/2026	20,285,000	** %	3,762,800.00	24,047,800.00
08/01/2027	19,875,000	3.000%	2,951,400.00	22,826,400.00
08/01/2028	19,995,000	3.000%	2,156,400.00	22,151,400.00
08/01/2029	14,345,000	3.000%	1,356,600.00	15,701,600.00
08/01/2030	4,705,000	3.000%	782,800.00	5,487,800.00
08/01/2031	2,550,000	3.000%	594,600.00	3,144,600.00
08/01/2032	2,645,000	3.000%	492,600.00	3,137,600.00
08/01/2033	2,750,000	3.000%	386,800.00	3,136,800.00
08/01/2034	2,865,000	3.000%	276,800.00	3,141,800.00
08/01/2035	4,055,000	3.000%	162,200.00	4,217,200.00
	243,625,000		49,589,429.17	293,214,429.17

DETAILED BOND DEBT SERVICE

**Texas Water Development Board
Water Financial Assistance Refunding Bonds, Series 2019C1&2 (DFUND)**

2019C1 DFUND Fixed Rate Bonds (DFUNDSER)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/01/2020			478,291.94	478,291.94	
08/01/2020	9,980,000	2.000%	375,950.00	10,355,950.00	10,834,241.94
02/01/2021			276,150.00	276,150.00	
08/01/2021	8,715,000	3.000%	276,150.00	8,991,150.00	9,267,300.00
02/01/2022			145,425.00	145,425.00	
08/01/2022	9,695,000	3.000%	145,425.00	9,840,425.00	9,985,850.00
	28,390,000		1,697,391.94	30,087,391.94	30,087,391.94

DETAILED BOND DEBT SERVICE

Texas Water Development Board
Water Financial Assistance Refunding Bonds, Series 2019C1&2 (DFUND)

2019C2 DFUND Soft Put (DFUNDPUT)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/01/2020			715,529.58	715,529.58	
08/01/2020			562,425.00	562,425.00	1,277,954.58
02/01/2021			562,425.00	562,425.00	
08/01/2021			562,425.00	562,425.00	1,124,850.00
02/01/2022			562,425.00	562,425.00	
08/01/2022			562,425.00	562,425.00	1,124,850.00
02/01/2023			749,900.00	749,900.00	
08/01/2023	8,330,000	3.000%	749,900.00	9,079,900.00	9,829,800.00
02/01/2024			583,300.00	583,300.00	
08/01/2024	4,320,000	3.000%	583,300.00	4,903,300.00	5,486,600.00
02/01/2025			496,900.00	496,900.00	
08/01/2025	4,535,000	3.000%	496,900.00	5,031,900.00	5,528,800.00
02/01/2026			406,200.00	406,200.00	
08/01/2026	4,745,000	3.000%	406,200.00	5,151,200.00	5,557,400.00
02/01/2027			311,300.00	311,300.00	
08/01/2027	4,960,000	3.000%	311,300.00	5,271,300.00	5,582,600.00
02/01/2028			212,100.00	212,100.00	
08/01/2028	5,190,000	3.000%	212,100.00	5,402,100.00	5,614,200.00
02/01/2029			108,300.00	108,300.00	
08/01/2029	5,415,000	3.000%	108,300.00	5,523,300.00	5,631,600.00
	37,495,000		9,263,654.58	46,758,654.58	46,758,654.58

Bond Variable Rate Table

Begin Date	End Date	Interest Rate
08/01/2022	08/01/2029	4.000%

DETAILED BOND DEBT SERVICE

**Texas Water Development Board
Water Financial Assistance Refunding Bonds, Series 2019D (SP)**

2019D SP Fixed Rate Bonds (SPSER)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/01/2020			145,224.17	145,224.17	
08/01/2020	3,315,000	2.000%	114,150.00	3,429,150.00	3,574,374.17
02/01/2021			81,000.00	81,000.00	
08/01/2021	2,715,000	3.000%	81,000.00	2,796,000.00	2,877,000.00
02/01/2022			40,275.00	40,275.00	
08/01/2022	2,685,000	3.000%	40,275.00	2,725,275.00	2,765,550.00
	8,715,000		501,924.17	9,216,924.17	9,216,924.17

DETAILED BOND DEBT SERVICE

**Texas Water Development Board
Water Financial Assistance Refunding Bonds, Series 2019D (SP)**

2019D SP Soft Put (SPPUT)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/01/2020			716,483.75	716,483.75	
08/01/2020			563,175.00	563,175.00	1,279,658.75
02/01/2021			563,175.00	563,175.00	
08/01/2021			563,175.00	563,175.00	1,126,350.00
02/01/2022			563,175.00	563,175.00	
08/01/2022			563,175.00	563,175.00	1,126,350.00
02/01/2023			750,900.00	750,900.00	
08/01/2023	2,280,000	3.000%	750,900.00	3,030,900.00	3,781,800.00
02/01/2024			705,300.00	705,300.00	
08/01/2024	2,260,000	3.000%	705,300.00	2,965,300.00	3,670,600.00
02/01/2025			660,100.00	660,100.00	
08/01/2025	2,240,000	3.000%	660,100.00	2,900,100.00	3,560,200.00
02/01/2026			615,300.00	615,300.00	
08/01/2026	2,215,000	3.000%	615,300.00	2,830,300.00	3,445,600.00
02/01/2027			571,000.00	571,000.00	
08/01/2027	2,190,000	3.000%	571,000.00	2,761,000.00	3,332,000.00
02/01/2028			527,200.00	527,200.00	
08/01/2028	2,160,000	3.000%	527,200.00	2,687,200.00	3,214,400.00
02/01/2029			484,000.00	484,000.00	
08/01/2029	4,630,000	3.000%	484,000.00	5,114,000.00	5,598,000.00
02/01/2030			391,400.00	391,400.00	
08/01/2030	4,705,000	3.000%	391,400.00	5,096,400.00	5,487,800.00
02/01/2031			297,300.00	297,300.00	
08/01/2031	2,550,000	3.000%	297,300.00	2,847,300.00	3,144,600.00
02/01/2032			246,300.00	246,300.00	
08/01/2032	2,645,000	3.000%	246,300.00	2,891,300.00	3,137,600.00
02/01/2033			193,400.00	193,400.00	
08/01/2033	2,750,000	3.000%	193,400.00	2,943,400.00	3,136,800.00
02/01/2034			138,400.00	138,400.00	
08/01/2034	2,865,000	3.000%	138,400.00	3,003,400.00	3,141,800.00
02/01/2035			81,100.00	81,100.00	
08/01/2035	4,055,000	3.000%	81,100.00	4,136,100.00	4,217,200.00
	37,545,000		14,855,758.75	52,400,758.75	52,400,758.75

Bond Variable Rate Table

Begin Date	End Date	Interest Rate
08/01/2022	08/01/2035	4.000%

DETAILED BOND DEBT SERVICE

**Texas Water Development Board
Water Financial Assistance Refunding Bonds, Series 2019E1&2 (WIF)**

2019E1 WIF Fixed Rate Bonds (WIFSER)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/01/2020			713,716.67	713,716.67	
08/01/2020	13,950,000	2.000%	561,000.00	14,511,000.00	15,224,716.67
02/01/2021			421,500.00	421,500.00	
08/01/2021	14,135,000	3.000%	421,500.00	14,556,500.00	14,978,000.00
02/01/2022			209,475.00	209,475.00	
08/01/2022	13,965,000	3.000%	209,475.00	14,174,475.00	14,383,950.00
	42,050,000		2,536,666.67	44,586,666.67	44,586,666.67

DETAILED BOND DEBT SERVICE

**Texas Water Development Board
Water Financial Assistance Refunding Bonds, Series 2019E1&2 (WIF)**

2019E2 WIF Soft Put (WIFPUT)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/01/2020			1,550,425.42	1,550,425.42	
08/01/2020			1,218,675.00	1,218,675.00	2,769,100.42
02/01/2021			1,218,675.00	1,218,675.00	
08/01/2021			1,218,675.00	1,218,675.00	2,437,350.00
02/01/2022			1,218,675.00	1,218,675.00	
08/01/2022			1,218,675.00	1,218,675.00	2,437,350.00
02/01/2023			1,624,900.00	1,624,900.00	
08/01/2023	12,980,000	3.000%	1,624,900.00	14,604,900.00	16,229,800.00
02/01/2024			1,365,300.00	1,365,300.00	
08/01/2024	12,910,000	3.000%	1,365,300.00	14,275,300.00	15,640,600.00
02/01/2025			1,107,100.00	1,107,100.00	
08/01/2025	12,880,000	3.000%	1,107,100.00	13,987,100.00	15,094,200.00
02/01/2026			849,500.00	849,500.00	
08/01/2026	12,805,000	3.000%	849,500.00	13,654,500.00	14,504,000.00
02/01/2027			593,400.00	593,400.00	
08/01/2027	12,725,000	3.000%	593,400.00	13,318,400.00	13,911,800.00
02/01/2028			338,900.00	338,900.00	
08/01/2028	12,645,000	3.000%	338,900.00	12,983,900.00	13,322,800.00
02/01/2029			86,000.00	86,000.00	
08/01/2029	4,300,000	3.000%	86,000.00	4,386,000.00	4,472,000.00
	81,245,000		19,574,000.42	100,819,000.42	100,819,000.42

Bond Variable Rate Table

Begin Date	End Date	Interest Rate
08/01/2022	08/01/2029	4.000%

DETAILED BOND DEBT SERVICE

Texas Water Development Board
Water Financial Assistance Refunding Bonds, Series 2019F (EDAP)

2019F EDAP Fixed Rate Bonds (EDAPSER)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/01/2020			175,407.64	175,407.64	
08/01/2020	1,290,000	2.000%	137,875.00	1,427,875.00	1,603,282.64
02/01/2021			124,975.00	124,975.00	
08/01/2021	1,305,000	3.000%	124,975.00	1,429,975.00	1,554,950.00
02/01/2022			105,400.00	105,400.00	
08/01/2022	1,280,000	3.000%	105,400.00	1,385,400.00	1,490,800.00
02/01/2023			86,200.00	86,200.00	
08/01/2023	1,270,000	4.000%	86,200.00	1,356,200.00	1,442,400.00
02/01/2024			60,800.00	60,800.00	
08/01/2024	1,260,000	4.000%	60,800.00	1,320,800.00	1,381,600.00
02/01/2025			35,600.00	35,600.00	
08/01/2025	1,260,000	4.000%	35,600.00	1,295,600.00	1,331,200.00
02/01/2026			10,400.00	10,400.00	
08/01/2026	520,000	4.000%	10,400.00	530,400.00	540,800.00
	8,185,000		1,160,032.64	9,345,032.64	9,345,032.64