

OFFICIAL STATEMENT

Dated September 15, 2021

Ratings:
Fitch: "AAA"
Moody's: "Aaa"
S&P: "AAA"
(See "OTHER INFORMATION - Ratings" herein)

NEW ISSUES - Book-Entry-Only

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (defined below) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.



\$215,515,000
STATE OF TEXAS
GENERAL OBLIGATION BONDS

\$31,270,000
Water Financial Assistance
Bonds, Series 2021A

\$168,460,000
Water Financial Assistance
Refunding Bonds, Series 2021B

\$15,785,000
Water Financial Assistance
Refunding Bonds, Series 2021C
(Economically Distressed Areas Program)

Dated Date: Date of Delivery

Due: as shown on pages ii, iii and iv herein

The State of Texas Water Financial Assistance Bonds, Series 2021A (the "Series 2021A Bonds"), the State of Texas Water Financial Assistance Refunding Bonds, Series 2021B (the "Series 2021B Bonds") and the State of Texas Water Financial Assistance Refunding Bonds, Series 2021C (Economically Distressed Areas Program) (the "Series 2021C Bonds"); collectively referred to herein as the "Bonds" and the "2021 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 general laws of the State. Interest on the Bonds will accrue from the Date of Delivery (as defined below) at the fixed rates of interest shown on pages ii, iii and iv, respectively, hereof and will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Bonds will accrue from the Date of Delivery and will be payable on February 1, 2022, and on each August 1 and February 1 thereafter until maturity or (as applicable) prior redemption. The Bonds will be issued only as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof within a maturity. The Depository Trust Company, New York, New York ("DTC"), initially will act as securities depository for the Bonds. **Beneficial owners of the Bonds will not receive physical delivery of Bond certificates except as described herein.**

The Series 2021A Bonds and the Series 2021B Bonds are subject to redemption prior to stated maturity as provided herein. See "THE BONDS – Series 2021A Bonds – Redemption Provisions," and "THE BONDS – Series 2021B Bonds – Redemption Provisions".

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

The Bonds are issued pursuant to three separate Board resolutions adopted on July 22, 2021 (the "2021A Resolution," the "2021B Resolution," and the "2021C Resolution," respectively, and collectively, the "Bond Resolutions"), in which 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 (collectively, the "Approval Certificates"; the Bond Resolutions and such Approval Certificates are collectively referred to herein as the "Resolutions"). Each Approval Certificate was executed by an authorized official on September 15, 2021. The Bonds are being issued pursuant to the Resolutions, and the Constitution and general laws of the State, including particularly Article III, Section 49-d-8, 49-d-9, 49-d-10 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 Financial Assistance Account for Water Assistance Projects (defined herein); (ii) providing funds for the refunding of the Refunded Bonds (defined herein) for debt service savings, and (iii) 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, INITIAL YIELDS, CUSIP NUMBERS, AND APPLICABLE REDEMPTION PROVISIONS FOR BONDS

The Bonds are offered for delivery when, as and if issued and accepted by the underwriters listed below (the "Underwriters"), subject to prior sale, withdrawal or modification of the offer without notice and are subject to the approving legal opinions of the Attorney General of the State, and Orrick, Herrington, & Sutcliffe LLP, Austin, 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, McCall, Parkhurst & Horton L.L.P., San Antonio Texas. See "LEGAL MATTERS." It is expected that the Bonds will be available for delivery, through the facilities of DTC, on or about September 28, 2021 (the "Date of Delivery").

RAYMOND JAMES

BAIRD
FHN FINANCIAL CAPITAL MARKETS

PIPER SANDLER & CO.
STIFEL

Maturity Schedule

\$31,270,000
STATE OF TEXAS
GENERAL OBLIGATION BONDS
Water Financial Assistance Bonds,
Series 2021A

CUSIP Prefix: 882724⁽⁴⁾

\$22,835,000 Serial Bonds

| Stated Maturity (August 1) ⁽¹⁾⁽²⁾ | Principal Amount | Interest Rate | Initial Yield | CUSIP No. Suffix ⁽⁴⁾ |
|--|---------------------|------------------|-----------------------|------------------------------------|
| 2022 | \$ 895,000 | 4.000% | 0.120% | UN5 |
| 2023 | 755,000 | 4.000% | 0.160% | UP0 |
| 2024 | 785,000 | 5.000% | 0.230% | UQ8 |
| 2025 | 825,000 | 5.000% | 0.360% | UR6 |
| 2026 | 870,000 | 5.000% | 0.510% | US4 |
| 2027 | 910,000 | 5.000% | 0.640% | UT2 |
| 2028 | 955,000 | 5.000% | 0.780% | UU9 |
| 2029 | 1,005,000 | 5.000% | 0.910% | UV7 |
| 2030 | 1,055,000 | 5.000% | 1.000% | UW5 |
| 2031 | 1,110,000 | 5.000% | 1.090% | UX3 |
| 2032 | 1,165,000 | 4.000% | 1.210% ⁽³⁾ | UY1 |
| 2033 | 1,210,000 | 4.000% | 1.260% ⁽³⁾ | UZ8 |
| 2034 | 1,260,000 | 4.000% | 1.320% ⁽³⁾ | VA2 |
| 2035 | 1,310,000 | 3.000% | 1.570% ⁽³⁾ | VB0 |
| 2036 | 1,350,000 | 3.000% | 1.620% ⁽³⁾ | VC8 |
| 2037 | 1,390,000 | 3.000% | 1.640% ⁽³⁾ | VD6 |
| 2038 | 1,430,000 | 3.000% | 1.670% ⁽³⁾ | VE4 |
| 2039 | 1,475,000 | 3.000% | 1.710% ⁽³⁾ | VF1 |
| 2040 | 1,515,000 | 3.000% | 1.740% ⁽³⁾ | VG9 |
| 2041 | 1,565,000 | 3.000% | 1.770% ⁽³⁾ | VH7 |

\$8,435,000 Term Bonds

\$8,435,000 2.375% Term Bonds maturing August 1, 2046 ⁽¹⁾⁽²⁾, Initial Yield 2.380%; CUSIP Suffix No. VJ3 ⁽⁴⁾

(Interest to accrue from the Date of Delivery)

⁽¹⁾ *Extraordinary Mandatory Redemption.* The Series 2021A Bonds are subject to extraordinary mandatory redemption prior to maturity as described under "THE BONDS – Series 2021A Bonds – Redemption Provisions – Extraordinary Mandatory Redemption."

⁽²⁾ *Optional Redemption and Mandatory Sinking Fund Redemption.* The Series 2021A Bonds having stated maturities on and after August 1, 2032, are subject to redemption at the option of the Board, in whole or from the time to time in part, on August 1, 2031 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See "THE BONDS – Series 2021A Bonds – Redemption Provisions – Optional Redemption." The 2021A Term Bonds (as defined herein) are subject to mandatory sinking fund redemption prior to their stated maturity as described herein. See "THE BONDS – Series 2021A Bonds – Redemption Provisions – Mandatory Sinking Fund Redemption".

⁽³⁾ Yield calculated based on the assumption that the Series 2021A Bonds denoted and sold at a premium will be redeemed on August 1, 2031, the first optional call date for such Series 2021A Bonds, at a redemption price of par, plus accrued interest to the redemption date.

⁽⁴⁾ 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

\$168,460,000
STATE OF TEXAS
GENERAL OBLIGATION BONDS
Water Financial Assistance Refunding Bonds,
Series 2021B

CUSIP Prefix: 882724⁽³⁾

| <u>Stated</u> <u>Maturity</u> ⁽¹⁾ | <u>Principal</u> <u>Amount</u> | <u>Interest</u> <u>Rate</u> | <u>Initial</u> <u>Yield</u> | <u>CUSIP</u> <u>No. Suffix</u> ⁽³⁾ |
|---|-----------------------------------|--------------------------------|--------------------------------|--|
| 2/1/2022 | \$2,540,000 | 4.000% | 0.050% | VK0 |
| 8/1/2022 | 8,075,000 | 4.000% | 0.080% | VL8 |
| 2/1/2023 | 5,980,000 | 5.000% | 0.100% | VM6 |
| 8/1/2023 | 4,180,000 | 5.000% | 0.110% | VN4 |
| 2/1/2024 | 1,575,000 | 5.000% | 0.200% | VP9 |
| 8/1/2024 | 9,000,000 | 5.000% | 0.210% | VQ7 |
| 8/1/2025 | 11,040,000 | 5.000% | 0.340% | VR5 |
| 8/1/2026 | 11,605,000 | 4.000% | 0.430% ⁽²⁾ | VS3 |
| 8/1/2027 | 12,885,000 | 4.000% | 0.470% ⁽²⁾ | VT1 |
| 8/1/2028 | 11,295,000 | 4.000% | 0.490% ⁽²⁾ | VU8 |
| 8/1/2029 | 12,915,000 | 4.000% | 0.530% ⁽²⁾ | VV6 |
| 8/1/2030 | 12,635,000 | 4.000% | 0.570% ⁽²⁾ | VW4 |
| 8/1/2031 | 14,850,000 | 4.000% | 0.600% ⁽²⁾ | VX2 |
| 8/1/2032 | 6,665,000 | 2.250% | 1.510% ⁽²⁾ | VY0 |
| 8/1/2033 | 6,815,000 | 2.250% | 1.610% ⁽²⁾ | VZ7 |
| 8/1/2034 | 6,970,000 | 2.500% | 1.680% ⁽²⁾ | WA1 |
| 8/1/2035 | 7,140,000 | 2.000% | 1.970% ⁽²⁾ | WB9 |
| 8/1/2036 | 7,280,000 | 2.000% | 2.020% | WC7 |
| 8/1/2037 | 7,430,000 | 2.125% | 2.050% ⁽²⁾ | WD5 |
| 8/1/2038 | 7,585,000 | 2.125% | 2.090% ⁽²⁾ | WE3 |

(Interest to accrue from the Date of Delivery)

⁽¹⁾ *Optional Redemption.* The Series 2021B Bonds having stated maturities on and after August 1, 2026, are subject to redemption at the option of the Board, in whole or from the time to time in part, on August 1, 2025 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See "THE BONDS – Series 2021B Bonds – Redemption Provisions – Optional Redemption."

⁽²⁾ Yield calculated based on the assumption that the Series 2021B Bonds denoted and sold at a premium will be redeemed on August 1, 2025, the first optional call date for such Series 2021B Bonds, at a redemption price of par, plus accrued interest to the redemption date.

⁽³⁾ CUSIP® is a registered trademark of the American Bankers Association, CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the State, the Board, the Financial Advisor (as defined herein), or the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

Maturity Schedule

\$15,785,000
STATE OF TEXAS
GENERAL OBLIGATION BONDS
Water Financial Assistance Refunding Bonds,
Series 2021C (Economically Distressed Areas Program)

CUSIP Prefix: 882724⁽²⁾

| Stated Maturity (August 1) ⁽¹⁾ | Principal Amount | Interest Rate | Initial Yield) | CUSIP No. Suffix ⁽²⁾ |
|---|---------------------|------------------|-------------------|------------------------------------|
| 2022 | \$2,830,000 | 4.000% | 0.080% | WF0 |
| 2023 | 2,725,000 | 4.000% | 0.160% | WG8 |
| 2024 | 2,740,000 | 5.000% | 0.230% | WH6 |
| 2025 | 2,780,000 | 5.000% | 0.360% | WJ2 |
| 2026 | 2,825,000 | 5.000% | 0.510% | WK9 |
| 2027 | 845,000 | 5.000% | 0.650% | WL7 |
| 2028 | 870,000 | 5.000% | 0.780% | WM5 |
| 2029 | 170,000 | 2.000% | 0.910% | WN3 |

(Interest to accrue from the Date of Delivery)

⁽¹⁾ *No Redemption.* The Series 2021C Bonds are not subject to redemption prior to maturity.

⁽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

This Official Statement, which includes the cover page, schedule of Refunded Bonds, 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

The Series 2021A Bonds, Series 2021B Bonds, and Series 2021C 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. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

No dealer, broker, salesman or other person has been authorized by the Board or the Underwriters to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Board or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall, under any circumstances, create the implication that there has been no change in the affairs of the Board or the State since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein and in no instance may this Official Statement be reproduced or used for any other purpose.

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

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

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

NONE OF THE STATE, THE BOARD, THE BOARD'S FINANCIAL ADVISOR OR 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 ii, iii and iv 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.

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TABLE OF CONTENTS

| | |
|---|--|
| <p>INTRODUCTION 1</p> <p> COVID-19 2</p> <p>PLAN OF FINANCE 3</p> <p> Background 3</p> <p> Use of Bond Proceeds 3</p> <p> Refunded Bonds 3</p> <p> Anticipated Issuance of General Obligation Additional Bonds 3</p> <p>SOURCES AND USES OF FUNDS 4</p> <p>THE BONDS 5</p> <p> General Provisions 5</p> <p> Series 2021A Bonds – Redemption Provisions 5</p> <p> Series 2021B Bonds – Redemption Provisions 8</p> <p> Series 2021C Bonds – Redemption Provisions 8</p> <p> Notice of Redemption 8</p> <p> Paying Agent/Registrar 9</p> <p>SECURITY AND SOURCES OF PAYMENT FOR THE BONDS 9</p> <p> General Obligation Pledge 9</p> <p> Perfection of Security 9</p> <p> Other Sources of Payment 9</p> <p> Enforcement of Payment 10</p> <p> Defeasance 10</p> <p> Amendment of Resolutions With Consent of Registered Owners 10</p> <p> Amendment of Resolutions Without Consent of Registered Owners 10</p> <p>WATER ASSISTANCE BOND PROGRAM 12</p> <p> Development Fund I 12</p> <p> Development Fund II 12</p> <p> Major Accounts within Development Fund II 12</p> <p> Financial Assistance Bonds 13</p> <p> State Participation Bonds 14</p> <p> EDAP Bonds 15</p> <p> Water Infrastructure Fund 16</p> <p>TABLE 1: WATER ASSISTANCE BONDS 17</p> <p>OTHER FINANCIAL ASSISTANCE PROGRAMS OF THE BOARD 18</p> <p> Texas Agricultural Water Conservation Bond Program .. 18</p> <p>TABLE 2: AGRICULTURE FUND GENERAL OBLIGATION BONDS 18</p> <p> Flood Infrastructure Fund 18</p> <p> Revenue Bonds 18</p> <p> State Water Pollution Control Revolving Fund 19</p> <p> State Safe Drinking Water Revolving Fund 19</p> <p> State Water Implementation Fund for Texas 19</p> <p> Rural Water Assistance Fund 21</p> <p> Texas Water Resources Finance Authority 21</p> <p>TEXAS WATER DEVELOPMENT BOARD 22</p> <p> General 22</p> <p> State Water Plan 22</p> <p> Board Members 22</p> <p> Key Staff Members 23</p> <p> Limitation of Liability of Officials of the Board 23</p> <p> Bond Review Board Approval 24</p> <p> Cybersecurity 24</p> <p> 2021 Legislative Session 24</p> <p> Sunset Review of the Board 24</p> <p>GENERAL INFORMATION REGARDING THE STATE 25</p> <p> Available Information 25</p> <p> Constitutional Limitation on Debt 25</p> | <p>LEGAL MATTERS 25</p> <p> Legal Opinions 25</p> <p> No-Litigation Certificate 25</p> <p> Eligibility for Investment in Texas 26</p> <p> Registration and Qualification of Bonds for Sale 26</p> <p>TAX MATTERS 26</p> <p> Tax Exemption 26</p> <p>CONTINUING DISCLOSURE OF INFORMATION 28</p> <p> Continuing Disclosure Undertaking of the Board 28</p> <p> Continuing Disclosure Undertaking of the Comptroller 28</p> <p> Availability of Information 29</p> <p> Limitations and Amendments 29</p> <p>OTHER INFORMATION 30</p> <p> Ratings 30</p> <p> Underwriting 30</p> <p> Unaudited Financial Information 31</p> <p> Forward-Looking Statements 31</p> <p> Certification of Official Statement 31</p> <p> Financial Advisor 31</p> <p> Website References 32</p> <p> Approval of Official Statement 32</p> <p>SCHEDULE I - SCHEDULE OF REFUNDED BONDS .. 33</p> <p>APPENDIX A THE STATE OF TEXAS</p> <p>APPENDIX B - SELECTED FINANCIAL DATA (UNAUDITED)</p> <p>APPENDIX C - PROPOSED FORMS OF BOND COUNSEL OPINIONS</p> <p>APPENDIX D - SCHEDULE OF DEBT SERVICE REQUIREMENTS</p> <p>APPENDIX E - BOOK-ENTRY-ONLY SYSTEM</p> |
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TEXAS WATER DEVELOPMENT BOARD

| <u>Members</u> | <u>Term Expiration</u> |
|----------------------------|------------------------|
| Brooke T. Paup, Chairwoman | February 1, 2025 |
| Kathleen Jackson, Member | February 1, 2023 |
| Vacant | |

KEY STAFF MEMBERS

| | |
|-----------------|--|
| Jeff Walker | Executive Administrator |
| Amanda Lavin | Assistant Executive Administrator |
| Jessica Peña | Deputy Executive Administrator |
| Rebecca Trevino | Chief Financial Officer |
| Georgia Sanchez | Director, Debt and Portfolio Manager and Development Fund Manager |
| Ashley Harden | General Counsel |

BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP
Austin, 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 Manager and Development Fund Manager, Texas Water Development Board, 1700 North Congress Avenue, 6th Floor, Austin, Texas 78701; Telephone: (512) 475-4584; Electronic Mail: georgia.sanchez@twdb.texas.gov.

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OFFICIAL STATEMENT

relating to

\$215,515,000

STATE OF TEXAS
GENERAL OBLIGATION BONDS

\$31,270,000

Water Financial Assistance
Bonds, Series 2021A

\$168,460,000

Water Financial Assistance
Refunding Bonds, Series 2021B

\$15,785,000

Water Financial Assistance
Refunding Bonds, Series 2021C
(Economically Distressed Areas Program)

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 (i) the State of Texas Water Financial Assistance Bonds, Series 2021A (the "Series 2021A Bonds"), (ii) the State of Texas Water Financial Assistance Refunding Bonds, Series 2021B (the "Series 2021B Bonds"), and (iii) the State of Texas Water Financial Assistance Refunding Bonds, Series 2021C (Economically Distressed Areas Program) (the "Series 2021C Bonds," collectively referred to herein as the "Bonds" and the "2021 Bonds"). The Bonds, together with other general obligation bonds heretofore issued or to be issued in the future 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 referred to herein collectively sometimes as the "Water Assistance Bonds." The Series 2021A Bonds and the Series 2021B 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 referred to sometimes herein as the "Financial Assistance Bonds." The Series 2021C 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 referred to sometimes herein as the "EDAP Bonds." Water Assistance Bonds heretofore issued or to be issued in the future for the State Participation Account of Development Fund II (the "State Participation Account") are referred to sometimes herein as the "State Participation Bonds." **No State Participation Bonds are being offered pursuant to this Official Statement.**

The Bonds are being issued pursuant to three separate resolutions adopted by the Board on July 22, 2021 (the "2021A Resolution," the "2021B Resolution," and the "2021C Resolution," respectively, and collectively, the "Bond Resolutions"), the Constitution and general laws of the State, including particularly Section 49-d-8, 49-d-9, 49-d-10 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 delegate 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 the 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"). Each Approval Certificate was executed by an authorized official on September 15, 2021. Capitalized terms not otherwise defined herein have the meanings given to said terms in the Bond Resolutions.

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

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COVID-19

A respiratory disease named "coronavirus disease 2019" ("COVID-19") has spread to many parts of the world and the United States, including the State. *For more information on the impact of COVID-19 on the State, see "12. Infectious Disease Outbreak COVID-19" of the State's August 2021 Bond Appendix, as supplemented (the "State's COVID-19 Disclosure") and such disclosure is hereby incorporated by reference, in addition to any future filings by the Comptroller through EMMA (as defined herein) relating to COVID prior to the termination of the offering relating to the 2021 Bonds.* The State's August 2021 Bond Appendix provides, among other things, details about the impact of COVID-19 on the State, including revenue collections compared with 2020 and measures taken by the State and federal government to limit the impact of COVID-19. The State's COVID-19 Disclosure and any subsequently filed documents regarding COVID-19, 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."

While the impact of COVID-19 on the State of Texas is being actively managed by State, local and private healthcare institutions, other parts of the country, including the State, and globally continue to be materially impacted by COVID 19. The impact of COVID-19 continues to negatively affect certain travel, commerce, health care providers and financial markets. Due to the unprecedented nature of the spread of COVID-19, including variants of COVID-19, the duration and extent of the impact of COVID-19 on the Board and the political subdivisions that access Board programs cannot be quantified as of the date hereof. The Board continues to monitor the spread of COVID-19 and is working with local governments and State agencies, to address the impact of COVID-19.

In 2020, each State agency, including the Board, was advised by the Governor of the State (the "Governor") to engage in prudent fiscal management and pursue costs savings. The Board has followed such directive. To date the Board's operations and financial condition have not been materially impacted by COVID-19. No assurance can be given as to whether the Board's operations and financial condition will not be materially affected in the future.

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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 6, 2007, voters approved Proposition 16, which added Section 49-d-10, and authorizes the Board to issue additional general obligation bonds to augment the EDAP Account of Development Fund II in an amount not to exceed \$250 million. 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, 49-d-10 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," "WATER ASSISTANCE BOND PROGRAM – EDAP Bonds," 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 Financial Assistance Account for Water Assistance Projects (defined herein); (ii) providing funds for the refunding of the Refunded Bonds (defined herein) for debt service savings; and (iii) providing funds for the payment of expenses arising in connection with the issuance of the Bonds. The combined principal amount of all Series 2021A Bonds issued pursuant to the 2021A Resolution shall not exceed \$50,000,000. In addition, pursuant to the Resolutions, the combined principal amount of all Series 2021A Bonds, Series 2021B Bonds and Series 2021C Bonds shall not exceed \$250,600,000. The authority to issue the Bonds under the terms of the Resolutions expires on July 22, 2022.

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 (collectively, 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 Resolutions provide that from the proceeds of the sale of the Series 2021B Bonds and the Series 2021C 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 proceeds of the Series 2021B Bonds and the Series 2021C Bonds 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 the 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 resolutions 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. See "SCHEDULE I – SCHEDULE OF REFUNDED BONDS."

In the Escrow Agreement, the Escrow Agent will certify that 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. 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 General Obligation Additional Bonds

Various State entities, including the Board, have issued and are authorized to issue general obligation bonds or other similar 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 similar 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

The proceeds from the sale of the Series 2021A Bonds will be applied approximately as follows:

| Sources | |
|------------------|-------------------------|
| Principal Amount | \$ 31,270,000.00 |
| Net Premium | 4,194,739.95 |
| Total | <u>\$ 35,464,739.95</u> |

| Uses | |
|---|-------------------------|
| Deposit to Financial Assistance Account | \$ 35,265,000.00 |
| Costs of Issuance ⁽¹⁾ | 89,902.17 |
| Underwriters' Discount | 109,837.78 |
| Total | <u>\$ 35,464,739.95</u> |

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

The proceeds from the sale of the Series 2021B Bonds will be applied approximately as follows:

| Sources | |
|------------------|--------------------------|
| Principal Amount | \$168,460,000.00 |
| Net Premium | 15,077,673.20 |
| Total | <u>\$ 183,537,673.20</u> |

| Uses | |
|--|--------------------------|
| Deposit for Redemption of Refunded Bonds | \$182,523,246.56 |
| Costs of Issuance ⁽¹⁾ | 486,097.85 |
| Underwriters' Discount | 528,328.79 |
| Total | <u>\$ 183,537,673.20</u> |

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

The proceeds from the sale of the Series 2021C Bonds will be applied approximately as follows:

| Sources | |
|------------------|-------------------------|
| Principal Amount | \$ 15,785,000.00 |
| Premium | 2,221,551.45 |
| Total | <u>\$ 18,006,551.45</u> |

| Uses | |
|--|-------------------------|
| Deposit for Redemption of Refunded Bonds | \$ 17,919,082.81 |
| Costs of Issuance ⁽¹⁾ | 46,703.89 |
| Underwriters' Discount | 40,764.75 |
| Total | <u>\$ 18,006,551.45</u> |

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

THE BONDS

General Provisions

The Bonds will be issued only as fully registered bonds, in any integral multiple of \$5,000 within a maturity. Interest on the Bonds will accrue from the Date of Delivery at the respective per annum rates for each maturity of Bonds of each series as shown on pages ii, iii, and iv, respectively, hereof and will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Bonds will be payable on February 1, 2022, and on each August 1 and February 1 thereafter until maturity or prior redemption (pertaining to the Series 2021A Bonds and the Series 2021B Bonds only; together, the "Callable Bonds"). The Bonds will mature in the principal amounts and on the dates set forth on pages ii, iii, and iv hereof.

The Board initially will issue the Bonds registered only in the name of Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the book-entry-only system described in APPENDIX E to this Official Statement. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 principal amount or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the Beneficial Owners (as defined in APPENDIX E) thereof. Principal of and interest on the Bonds will be payable to Cede & Co., which will make distributions of the payments to the participating members of DTC for subsequent remittance to the Beneficial Owners (as defined in APPENDIX E).

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

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

Series 2021A Bonds – Redemption Provisions

Extraordinary Mandatory Redemption. The Series 2021A Bonds are subject to extraordinary mandatory redemption prior to maturity as described below under "THE BONDS – Extraordinary Mandatory Redemption."

Optional Redemption. The Series 2021A Bonds having stated maturities on and after August 1, 2032, are subject to redemption at the option of the Board, in whole or from time to time in part, on August 1, 2031 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption. The Series 2021A Bonds scheduled to mature on August 1, 2046 (the "2021A Term Bonds") are subject to mandatory sinking fund redemption by the Board prior to their scheduled maturity at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, on the dates and in the respective principal amounts, set forth in the following schedule:

| 2021A Term Bonds | |
|--|-----------------------------|
| <u>Maturity August 1, 2046</u> | |
| <u>Mandatory Redemption Date</u> | <u>Principal Amount</u> |
| August 1, 2042 | \$1,610,000 |
| August 1, 2043 | 1,650,000 |
| August 1, 2044 | 1,685,000 |
| August 1, 2045 | 1,725,000 |
| August 1, 2046 ⁽¹⁾ | 1,765,000 |

(1) Stated maturity.

Extraordinary Mandatory Redemption

General. Section 149(f) of the Internal Revenue Code of 1986 (the "Code") imposes certain requirements on bonds issued by state and local governments for pooled financing programs, such as the Series 2021A Bonds, in order for the interest to be and remain exempt from federal income taxation. One such requirement mandates the redemption of bonds in circumstances in which the bond proceeds are not used to make loans within certain prescribed periods. In particular, section 149(f) of the Code requires the following: the issuer (i) must reasonably expect that, within the one-year period beginning on the date of issue, at least 30 percent of the net proceeds of the issue will be used directly or indirectly to make loans (the "One-Year Computation Period"); and (ii) must redeem outstanding bonds within 90 days after the end of such one-year period to the extent of, and in an amount equal to the unused proceeds, i.e., the difference between the amount actually used and an amount equal to 30 percent of the net proceeds of the issue; and the issuer (i) must reasonably expect that within the three-year period beginning on the date of issue, at least 95 percent of the net proceeds of the issue will be used directly or indirectly to make loans (the "Three-Year Computation Period"); and (ii) must redeem outstanding bonds within 90 days after the end of such three-year period to the extent of, and in an amount equal to the unused proceeds, i.e., the difference between the amount actually used and an amount equal to 95 percent of the net proceeds of the issue.

At the date of issuance of the Series 2021A Bonds, a portion of the proceeds of the Series 2021A Bonds will be held by the Board and applied from time to time after the issuance of the Series 2021A Bonds to fund loans for Water Assistance Projects. See "SOURCES AND USES OF FUNDS." The Board reasonably expects to expend more than 30 percent and 95 percent of such proceeds, during the one-year and three-year periods, respectively. To comply with the foregoing requirement in the event these expectations are not achieved by the Board, the Series 2021A Bonds are subject to extraordinary mandatory redemption at the end of the one-year and three-year periods as required by section 149(f) of the Code. To the extent proceeds of the Series 2021A Bonds are held by the Board to fund loans and are not expended within such one-year or three-year periods, any such unexpended proceeds will be used to redeem the Series 2021A Bonds as further described below. In accordance with section 149(f)(7) of the Code, only the portion of the proceeds of the Series 2021A Bonds that is reasonably expected, as of the issue date of the Series 2021A Bonds, to be used to originate loans to political subdivisions is subject to the redemption requirements set forth in section 149(f) of the Code.

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

| Bond Series | Par Amount | Delivery Date | Attainment of 1-year/30% requirement | Attainment of 3-year/95% requirement |
|---|---------------|---------------|--------------------------------------|--------------------------------------|
| 2008A (Water Infrastructure Fund) | \$112,920,000 | 05/22/08 | 07/24/08 | 03/30/09 |
| 2009A (Water Infrastructure Fund) | 144,995,000 | 03/10/09 | 03/30/09 | 04/29/09 |
| 2009B (Water Infrastructure Fund) | 157,240,000 | 05/28/09 | 09/22/09 | 01/15/10 |
| 2009C-1 | 225,385,000 | 06/30/09 | 07/06/09 | 03/24/11 |
| 2009E (Water Infrastructure Fund) | 101,400,000 | 12/15/09 | 12/29/09 | 10/14/10 |
| 2009F (Economically Distressed Areas Program) | 24,540,000 | 12/15/09 | 12/29/09 | 01/11/11 |
| 2010B (Water Infrastructure Fund) | 143,225,000 | 05/11/10 | 06/22/10 | 12/02/10 |
| 2010C (State Participation Program) | 42,280,000 | 05/11/10 | 05/28/10 | 05/28/10 |
| 2011A (Water Infrastructure Fund) | 129,540,000 | 06/14/11 | 08/23/11 | 08/23/11 |
| 2011B | 92,255,000 | 10/04/11 | 12/14/11 | 06/08/12 |
| 2012A (Water Infrastructure Fund) | 39,930,000 | 02/07/12 | 03/29/12 | 04/04/12 |
| 2012B (Economically Distressed Areas Program) | 14,955,000 | 02/07/12 | 09/11/12 | 11/01/12 |
| 2012C | 149,645,000 | 04/10/12 | 06/08/12 | 06/08/12 |
| 2012F (Economically Distressed Areas Program) | 29,385,000 | 09/05/12 | 11/01/12 | 03/05/13 |
| 2012G | 156,065,000 | 10/02/12 | 11/21/12 | 11/21/12 |
| 2013A (Water Infrastructure Fund) | 42,470,000 | 02/12/13 | 05/07/13 | 05/07/13 |
| 2013B | 56,515,000 | 08/01/13 | 09/25/13 | 12/18/14 |
| 2015E (Economically Distressed Areas Program) | 43,715,000 | 06/18/15 | 06/26/15 | 10/28/15 |
| 2015F | 37,790,000 | 06/18/15 | 06/26/15 | 10/28/15 |
| 2016A (Economically Distressed Areas Program) | 45,735,000 | 04/19/16 | 07/12/16 | 07/18/16 |
| 2016B Subseries 2016 B-1* | 58,555,000 | 07/14/16 | 08/18/16 | 06/29/17 |
| 2017A* | 53,815,000 | 06/20/17 | 06/29/17 | 11/03/17 |
| 2018A* | 61,280,000 | 01/25/18 | 03/01/18 | 12/19/18 |
| 2019A (Economically Distressed Areas Program) | 41,325,000 | 02/20/19 | 04/23/19 | 04/25/19 |

* Includes amount for refunding purposes

As described in the foregoing table, all of the proceeds of the Pooled Financing Bonds have been used to make loans prior to the expiration of the one-year and three-year periods prescribed by section 149(f) of the Code. The information provided regarding the previously issued Pooled Financing Bonds is provided as a reference and should not be used to project future performance by the Board with regard to the Series 2021A Bonds. Results may differ in connection with the use of proceeds of the Series 2021A Bonds.

Extraordinary Mandatory Redemption Provisions of Series 2021A Bonds. The Series 2021A Bonds maturing on and after August 1, 2023, are subject to extraordinary mandatory redemption prior to their scheduled maturities on November 14, 2022 (the "One-Year Extraordinary Mandatory Redemption"), in an amount equal to the Computation Amount (defined herein) applicable to the One-Year Computation Period for the Series 2021A Bonds, plus accrued interest to the date of such extraordinary redemption at the redemption prices set forth below (approximately 102% of the amortized issue price for each maturity of the Series 2021A Bonds), expressed as percentages of the principal amount of each maturity of the Series 2021A Bonds so redeemed. The Series 2021A Bonds maturing on and after August 1, 2025, are subject to extraordinary mandatory redemption prior to their scheduled maturities on November 14, 2024 (the "Three-Year Extraordinary Mandatory Redemption"), in an amount equal to the Computation Amount applicable to the Three-Year Computation Period for the Series 2021A Bonds, plus accrued interest to the date of such extraordinary redemption at the redemption prices set forth below (approximately 102% of the amortized issue price for each maturity of the Series 2021A Bonds), expressed as percentages of the principal amount of each maturity of the Series 2021A Bonds so redeemed.

Extraordinary Mandatory Redemption Price (%)

CUSIP Prefix: 882724

| Maturity (August 1) | On November 14, 2022 | On November 14, 2024 | CUSIP Suffix |
|------------------------|-------------------------|-------------------------|-----------------|
| 2023 | 104.793 | - | UP0 |
| 2024 | 110.317 | - | UQ8 |
| 2025 | 114.769 | 105.370 | UR6 |
| 2026 | 118.826 | 109.804 | US4 |
| 2027 | 122.616 | 113.944 | UT2 |
| 2028 | 126.008 | 117.724 | UU9 |
| 2029 | 129.109 | 121.205 | UV7 |
| 2030 | 132.214 | 124.602 | UW5 |
| 2031 | 135.065 | 127.750 | UX3 |
| 2032 | 125.466 | 120.296 | UY1 |
| 2033 | 124.994 | 119.936 | UZ8 |
| 2034 | 124.430 | 119.506 | VA2 |
| 2035 | 113.834 | 111.258 | VB0 |
| 2036 | 113.394 | 110.919 | VC8 |
| 2037 | 113.219 | 110.783 | VD6 |
| 2038 | 112.957 | 110.580 | VE4 |
| 2039 | 112.608 | 110.310 | VF1 |
| 2040 | 112.348 | 110.108 | VG9 |
| 2041 | 112.088 | 109.907 | VH7 |
| 2046 | 101.906 | 101.911 | VJ3 |

The 2021A Resolution defines "Computation Amount" as surplus proceeds (rounded to the next higher \$5,000 denomination) equal to the remainder of (A) thirty percent (30%) of the net proceeds less proceeds of the Series 2021A Bonds directly or indirectly used to make loans to political subdivisions as of the last day of the One-Year Computation Period (but not less than zero) or (B) ninety-five percent (95%) of the net proceeds less the proceeds of the Series 2021A Bonds directly or indirectly used to make loans to political subdivisions as of the last day of the Three-Year Computation Period (but not less than zero).

Following the earlier of (i) the 90th day after the Three-Year Computation Period for the Series 2021A Bonds and (ii) the date on which 95 percent of the proceeds of the Series 2021A Bonds have been used to make loans, if such date occurs prior to the end of the Three-Year Computation Period for the Series 2021A Bonds, the Series 2021A Bonds shall not be subject to extraordinary mandatory redemption.

The foregoing notwithstanding, the Series 2021A Bonds are not subject to such extraordinary mandatory redemption if the Board obtains an opinion of nationally-recognized bond counsel to the effect that, if the Board does not cause the extraordinary mandatory redemption to occur, it will not adversely affect the excludability of interest on the Series 2021A Bonds from gross income for federal income tax purposes.

For purposes of the One-Year Extraordinary Mandatory Redemption and the Three-Year Extraordinary Mandatory Redemption, as the case may be, the Series 2021A Bonds that are subject to such redemption will be selected on a "Pro Rata Basis" (defined below); provided, that if any amount required to be redeemed remains after such selection, such remaining amount will be applied to the redemption of \$5,000 principal amount of each maturity of the Series 2021A Bonds in inverse order of maturity. The term "Pro Rata Basis" means that the principal amount of a particular maturity will be determined by multiplying the Computation Amount by the ratio which the principal amount of Series 2021A Bonds of such maturity then outstanding bears to the aggregate principal amount of Series 2021A Bonds then outstanding and subject to redemption.

Series 2021B Bonds – Redemption

The Series 2021B Bonds having stated maturities on and after August 1, 2026, are subject to redemption at the option of the Board, in whole or from time to time in part, on August 1, 2025 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

Series 2021C Bonds – Redemption

No Redemption. The Series 2021C Bonds are not subject to redemption prior to maturity.

Selection of Bonds to be Redeemed

If fewer than all of the Callable Bonds that are subject to redemption 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 Callable 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 Callable 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 Callable Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Callable 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; provided, further, however, that such selection methodology shall not apply to the Series 2021A Bonds that are redeemed pursuant to application of extraordinary mandatory redemption provisions, in which case selection of redeemed Series 2021A Bonds shall occur in the manner described above under "Extraordinary Mandatory Redemption".

Notice of Redemption

At least 30 days prior to the date fixed for any redemption, a written notice of such redemption will be given to the registered owner of each Callable 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. The failure to send, mail, or receive such notice described 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 Callable 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 Callable 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 Callable 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 Callable 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 OF CALLABLE 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 SERIES OF CALLABLE BONDS SO CALLED FOR REDEMPTION, NO SUCH CALLABLE BONDS SHALL BE REDEEMED ON THE DATE FIXED FOR REDEMPTION, AND THE NOTICE OF REDEMPTION FOR SUCH CALLABLE BONDS SHALL BE NULL AND VOID.

Paying Agent/Registrar

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

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, 49-d-10 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".

Perfection of Security

Chapter 1208, Texas Government Code, as amended, 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, as amended, 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 EDAP Bond Payment Account (with respect to the EDAP 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 EDAP Account and the EDAP Bond Payment Account constitute a source of payment only for the EDAP Bonds, including the Series 2021C Bonds, (ii) the State Participation Account and the State Participation Bond Payment Account constitute a source of payment only for the State Participation 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 2021A Bonds and the Series 2021B Bonds, as described in this Official Statement. **No State Participation Bonds are being offered pursuant to this Official Statement.**

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 provide 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 unless otherwise 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, (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 applicable 2021 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 applicable 2021 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 2021 Bonds under the then applicable laws of the State.

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 Callable 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 Bond 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 of the affected Series at the time Outstanding.

Amendment of Resolutions Without Consent of Registered Owners

The Board may, without prior notice to or 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 the Bond Resolutions respecting the issuance of the Bonds;
- (ii) undertake covenants additional to but not inconsistent with those contained in the Bond Resolutions;
- (iii) correct any ambiguity or correct or supplement any inconsistent or defective provision contained in the Bond Resolutions or any amendatory resolution;
- (iv) adopt amendments to the Bond Resolutions 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 the Bond Resolutions that, in the opinion of nationally-recognized 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 Bond 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 Bond 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 the Bond Resolutions can be made only if:

- (a) the Board receives an opinion of nationally-recognized bond counsel acceptable to the Board to the effect that such amendments comply with the Act, that the Bonds of the affected Series 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;
- (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 Bond 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 of the State (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.

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, 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. Section 49-d-14 was approved by the voters of the State on November 5, 2019, and authorizes the Board to issue additional general obligation bonds for the EDAP Account of Development Fund II in amounts such that the aggregate principal amount of bonds issued under Section 49-d-14 that are outstanding at any time does not exceed \$200 million. The effect of the provisions of Section 49-d-11 and Section 49-d-14 is to provide an "evergreen" authorization. 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 or Section 49-d-14 are no longer outstanding by their terms, the authority under Section 49-d-11 or Section 49-d-14 to issue bonds in a like principal amount is restored and made available to the Board.

The bonding authority provided by the Development Fund I Constitutional Provisions, Section 49-d-9, and Section 49-d-10 have been fully extinguished. Section 49-d-11 and Section 49-d-14 currently represent the only remaining authority to issue Water Assistance Bonds. See "TABLE 1: WATER ASSISTANCE BONDS" below.

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, (ii) the State Participation Bond Payment Account and (iii) 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.

For purposes of the discussion of Development Fund II herein, the following capitalized terms have the following meanings pursuant to the Resolution:

"Water Assistance Project" means any project for which the Board is authorized to provide financial assistance, in accordance with the purposes described by Article III, Sections 49-c, 49-d, 49-d-1, 49-d-2, 49-d-5, 49-d-6, 49-d-7, or 49-d-8, Texas Constitution, other than (i) a State Participation Project or (ii) an EDAP 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.

"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.

"EDAP Project" means any project found and determined by the Board to be in accordance with the purposes described in Subchapter K, Chapter 17, Texas Water Code.

Financial Assistance Bonds

As a practice, the Board's policy historically has been that debt service on Financial Assistance Bonds be self-supporting, and the Board has expected that program revenues flowing into the Financial Assistance Account will be sufficient to meet debt service requirements on outstanding Financial Assistance Bonds. The Board currently anticipates that the Board's policy will continue for the Series 2021A Bonds and the Series 2021B 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 currently anticipates that the Legislature will continue to appropriate general revenues of the State to support the payment of debt service on Water Infrastructure Bonds and Economically Distressed Areas Program Bonds until such time that program assets and revenues are sufficient to meet debt service requirements. See "WATER ASSISTANCE BOND PROGRAM – EDAP Bonds" and – "Water Infrastructure Fund."

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 (as defined in the 2021A Resolution and the 2021B Resolution) 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, 2020. See "OTHER INFORMATION–Unaudited Financial Information".

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

Financial Assistance Bonds Flow of Funds. On or before the date 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 the Rural Political Subdivisions from proceeds of the refunded rural water assistance fund bonds 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 rural water assistance fund bonds, 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 3 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. See "WATER ASSISTANCE BOND PROGRAM – Development Fund II."

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

State Participation Bonds

No State Participation Bonds are being offered pursuant to this Official Statement. Bonds heretofore issued to provide financial assistance pursuant to the Board's State Participation Program have resulted in draws on the State's General Revenue Fund. 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 such debt service.

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.

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

State Participation Bonds Flow of Funds. On or before the date interest or interest and principal on the State Participation Bonds is scheduled to become due and payable, the Board must cause to be transferred, from moneys available for such purpose in the State Participation Account, to the State Participation Bond Payment Account an amount which will be

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

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

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

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

EDAP Bonds

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 Fund. The Board currently anticipates that the issuance of EDAP Bonds (including the Series 2021C Bonds) will result in future draws on the State's General Revenue Fund. 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 such debt service. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – General Obligation Pledge".

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

- (i) Money and Assets Attributable to Bonds (as defined in the 2021C Resolution) 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, 2020. 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 "WATER ASSISTANCE BOND PROGRAM – 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

No Water Infrastructure Bonds are being offered pursuant to this Official Statement. 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 (1) 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, and (2) pursuant to HB 1904 of the 87th Regular Session of the Legislature, effective September 1, 2021, to make transfers from the Water Infrastructure Fund to the Financial Assistance Account for the purposes described in Section 49-d-8, other than for the purposes described in Sections 17.957 and 17.958, Texas Water Code, as amended.

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**TABLE 1: WATER ASSISTANCE
BONDS As of August 31, 2021**

| Constitutional Provision ^{(1),(2)} | Purpose | Constitutionally Authorized Amount | Authorization Used ⁽³⁾ | Authorization Currently Being Issued ⁽⁴⁾ | Authorization Remaining ^{(4),(5)} |
|---|---------------------|------------------------------------|-----------------------------------|---|--|
| Section 49-d-11 ⁽⁶⁾ | Development Fund II | \$6,000,000,000 | \$ 42,719,345 | \$ 31,270,000 | \$ 5,926,010,655 |
| Section 49-d-14 ⁽⁷⁾ | EDAP | 200,000,000 | - | - | 200,000,000 |
| Total | | | \$ 42,719,345 | \$ 31,270,000 | \$ 6,126,010,655 |

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

⁽²⁾ The bonding authority provided by the Development Fund I Constitutional Provisions, Section 49-d-9, and Section 49-d-10 have been fully extinguished. Section 49-d-11 and Section 49-d-14 currently represent the only remaining authority to issue Water Assistance Bonds.

⁽³⁾ Authorization is evergreen; therefore, "Authorization Used" represents aggregate principal amount of bonds outstanding. Excludes principal amount of bonds previously issued and paid.

⁽⁴⁾ Assumes delivery of the Series 2021A Bonds.

⁽⁵⁾ Authorization is evergreen; therefore, "Authorization Remaining" will increase as principal amount of bonds previously issued and in the process of issuance is paid.

⁽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.

⁽⁷⁾ Section 49-d-14 authorizes the Board to issue additional general obligation bonds for the EDAP Account in amounts such that the aggregate principal amount of bonds issued under Section 49-d-14 that are outstanding at any time does not exceed \$200 million.

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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
As of August 31, 2021

| Constitutional Provision ⁽¹⁾ | Purpose | Constitutionally Authorized Amount | Previously Issued | Authorized But Unissued |
|--|------------------|--|----------------------|----------------------------|
| Section 50-d | Agriculture Fund | \$ 200,000,000 | \$ 35,160,000 | \$ 164,840,000 |
| Total | | | \$ 35,160,000 | \$ 164,840,000 |

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

Flood Infrastructure Fund

Article III, Section 49-d-14 of the Texas Constitution (adopted in 2019) created the Flood Infrastructure Fund ("FIF") as a special fund in the State Treasury outside the General Revenue Fund. Subchapter I was added to Chapter 15 of the Texas Water Code to implement the FIF program and establish the FIF. The FIF is administered by the Board and has been funded with a transfer of \$793 million from the State's economic stabilization fund. The Board may utilize the proceeds of general obligation bonds or revenue bonds issued for an authorized purpose of the FIF.

The FIF program provides grants and zero interest loans for flood control, flood mitigation, and drainage projects. Eligible projects include structural, nonstructural, and nature-based solutions which fall into one of four categories: (1) flood protection planning for watersheds; (2) planning, acquisition, design, construction, and rehabilitation; (3) federal award matching funds; and (4) measures immediately effective in protecting life and property. Project funding is available to eligible political subdivision applicants, including a city, county, district or authority created under Article III, Section 52, or Article XVI, Section 59, of the Texas Constitution. In addition, funding for flood protection planning for watersheds is also available to any other political subdivision of the State, any interstate compact commission to which the State is a party, and any nonprofit water supply corporation created and operating under Chapter 67 of the Texas Water Code.

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 State Water Pollution Control Revolving Fund, and the State Safe Drinking Water Revolving Fund, commonly referred to as the Clean Water State Revolving Fund ("CWSRF") and the Drinking Water State Revolving Fund ("DWSRF"), respectively; (4) to provide funds for the State Water Implementation Fund for 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.

State Water Pollution Control Revolving Fund

The Federal Water Pollution Control Act of 1972, as amended by the Water Quality Act of 1987, as amended (the "Federal Act"), established the Federal Loan Program (described below) as a joint federal and state program. Under the Federal Loan Program, the United States Environmental Protection Agency ("USEPA") is authorized to make grants (the "SRF Capitalization Grants") to states to aid in providing financial assistance to municipalities; intermunicipal, interstate or state agencies; or other public entities eligible for assistance under the Federal Act (the "Eligible Borrowers") for eligible projects including the construction of publicly owned treatment works, managing stormwater, measures to reduce the demand for publicly owned treatment works capacity through water conservation, efficiency, or reuse, and nonpoint source pollution control projects and other authorized purposes pursuant to the Federal Act. As a condition to receipt of an SRF Capitalization Grant, a state is required to establish a perpetual state revolving fund into which the SRF Capitalization Grant must be deposited, and to provide state matching funds at least equal to 20% of the SRF Capitalization Grant. Historically, proceeds of Water Development Bonds and Financial Assistance Bonds have been used to provide such matching funds. Funds in a state revolving fund are permitted to be applied to provide financial assistance to Eligible Borrowers in a number of ways, including making direct loans, purchasing or refinancing debt obligations and providing loan guarantees.

Pursuant to Chapter 15, Subchapter J of the Texas Water Code ("Subchapter J"), which became effective June 17, 1987, the State created the CWSRF for the purpose of providing financial assistance to Eligible Borrowers for authorized activities and uses. The Board currently provides financial assistance by purchasing political subdivision obligations from Eligible Borrowers, or by providing loans or principal forgiveness.

The Board purchases political subdivision obligations or provides loans under the State Revolving Fund program with terms up to thirty (30) years from project completion, but in no event longer than the expected design life of the project financed or refinanced.

State Safe Drinking Water Revolving Fund

The Federal Safe Drinking Water Act ("SDWA") established national primary drinking water regulations to protect the safety of the public's drinking water. Under the SDWA, the USEPA is authorized to make grants ("DWSRF Capitalization Grants") to states to assist communities in meeting established drinking water standards. As a condition to receipt of a DWSRF Capitalization Grant, a state is required to establish a drinking water state revolving fund into which the DWSRF Capitalization Grant must be deposited, provide state matching funds at least equal to 20% of the DWSRF Capitalization Grant for deposit in the 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 general obligation bonds to provide matching funds in the future. Pursuant to Subchapter J, Texas created the DWSRF for the purpose of providing financial assistance to political subdivisions and water supply corporations. The Legislature expanded the program to allow funding for privately owned corporations for loan subsidies, provided that only appropriated funds and federal grants are utilized for such purpose.

DWSRF funds are permitted to be applied to provide financial assistance to community water systems and non-profit community water systems in a number of ways, including making direct loans, retiring existing debt through refinancing, and providing loan guarantees for expenditures that facilitate compliance with the primary national drinking water regulations. Under the SDWA, no less than 15% of money credited to the DWSRF must be provided to public water systems which serve fewer than 10,000 persons to the extent such funds can be obligated for eligible projects. Additional set asides may be made for source water protection loans and programs for capacity development and for state administration of the SDWA. The Board currently provides financial assistance by purchasing political subdivision obligations from Eligible Borrowers, or by providing loans or principal forgiveness. The maximum term of such form of financial assistance may not exceed thirty (30) years from project completion, but in no event longer than the expected design life of the project financed or refinanced.

State Water Implementation Fund for Texas

Pursuant to Subchapter C of Chapter 16 of the Texas Water Code, the Legislature directed the Board to prepare, develop, formulate, and adopt a comprehensive state water plan (the "State Water Plan") prior to January 2002. Thereafter, the Board has been responsible for preparing, developing, formulating and adopting a State Water Plan before the end of each successive five-year period. 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. Upon 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 2022 State Water Plan was adopted by the Board on July 7, 2021. The 2022 State Water Plan is available on the website of the Board, at <http://www.twdb.texas.gov/waterplanning/swp/2022/index.asp>.

In 2013, the 83rd Regular Session of the Legislature enacted enabling legislation to implement provisions relating to the proposed constitutional amendments that created SWIFT and SWIRFT to enhance the ability of the State to provide financial assistance for projects to implement the State Water Plan. With the adoption of the two amendments to the Texas Constitution as described below, the plan envisioned by the Legislature was implemented. Revenue bonds issued to support the "State Water Implementation Fund for Texas Program" are issued through the SWIRFT.

At an election held on November 5, 2013, the voters of Texas approved constitutional amendments which added two new sections to Article III of the Constitution. Generally, Section 49-d-12 provided for the appropriation of \$2 billion from the State's economic stabilization fund to create and fund SWIFT as a special fund in the State Treasury outside the State's General Revenue Fund. Section 49-d-13 created SWIRFT as a special fund in the State Treasury outside the General Revenue Fund.

Section 49-d-12 provides that money in SWIFT shall be administered, without further appropriation, by the Board for the purpose of implementing the State Water Plan. In addition, Section 49-d-12 authorizes the Legislature to authorize the Board to enter into Bond Enhancement Agreements to provide a source of revenue or security for general obligation bonds or revenue bonds issued by the Board, the proceeds of which are used to finance State Water Plan projects, provided, that the Bond Enhancement Agreements do not exceed the capacity of SWIFT to fully support such agreements. Moneys to be made available under the terms of a Bond Enhancement Agreement are contributed solely from SWIFT. Subchapter G of Chapter 15 of the Texas Water Code provides that the Board has legal title to the money and investments of SWIFT to be used without further appropriation for the sole purpose of implementing the State Water Plan. Responsibility for the management and investment of SWIFT is conferred on the Texas Treasury Safekeeping Trust Company, a special-purpose trust company incorporated by the Comptroller under authority granted by Subchapter G of Chapter 404, Texas Government Code, as amended, which holds and invests SWIFT for and in the name of the Board.

The goal of the State Water Implementation Fund for Texas Program is to achieve funding of approximately \$27 billion of water projects over 50 years from 2015 and that the original \$2 billion capitalization of SWIFT is available in perpetuity. As of June 30, 2021, the SWIFT program has delivered funding of \$7.3 billion for water projects. Subchapter G of Chapter 15 of the Texas Water Code provides that in each five year period between adoptions of a new State Water Plan, the Board shall undertake to apply not less than 10 percent of SWIFT funds to support projects that are for rural political subdivisions or agricultural water conservation, and 20 percent of SWIFT funds to support projects, including agricultural irrigation projects, that are designed for water conservation or reuse.

In accordance with State law, \$2 billion from the State's economic stabilization fund was appropriated and transferred to SWIFT. As of June 30, 2021, \$771,826,649 has been transferred from SWIFT to provide a source of revenue or security for SWIRFT revenue bonds issued by the Board, as further described below. SWIFT is administered by the Texas Treasury Safekeeping Trust Company ("TTSTC"). According to information available from TTSTC, as of June 30, 2021 SWIFT has a balance of approximately \$1.8 billion. Information relating to the administration of SWIFT by the TTSTC can be found at its website, TTSTC.org.

Section 49-d-13 authorizes the Legislature to authorize the Board to issue bonds and enter into related credit agreements that are payable from revenues available to SWIRFT. Obligations issued or incurred pursuant to Section 49-d-13 are special obligations payable solely from amounts in SWIRFT. Moneys in SWIRFT consist of moneys transferred or deposited to the credit of SWIRFT by law; the proceeds of any fee or tax that may be imposed by the State in the future that by statute is dedicated for deposit to the credit of SWIRFT; any other revenue that the Legislature dedicates for deposit to SWIRFT; investment earnings on amounts credited to SWIRFT; bond proceeds, including proceeds from revenue bonds issued for SWIRFT; repayments of political subdivision obligations made from SWIRFT; money from the sale, transfer, or lease of a project acquired, constructed, reconstructed, developed, or enlarged with money from SWIRFT; and money disbursed to SWIRFT from SWIFT.

The Board may use money in SWIRFT (i) as a source of revenue or security for the payment of the principal of and interest on revenue bonds issued by the Board under Subchapter H of Chapter 15 of the Texas Water Code, other bonds issue by the Board if the proceeds of SWIRFT revenue bonds will be deposited in the SWIRFT, (ii) to acquire political subdivision obligations or other assets from another fund or account administered by the Board, or (iii) to pay necessary and reasonable costs incurred by the Board in administering SWIRFT. Money deposited to the credit of SWIRFT must be invested as determined by the Board. Subchapter H of Chapter 15 of the Texas Water Code also authorizes that Board to issue revenue bonds for the purpose of providing money for SWIRFT. Revenue bonds issued under Subchapter H of Chapter 15 of the Texas Water Code are special obligations of the Board payable only from and secured by designated income and receipts of SWIRFT, and do not constitute indebtedness of the State.

As of June 30, 2021, the Board has issued eleven series of SWIRFT revenue bonds, aggregating \$6,182,125,000 in principal amount outstanding. The following entities are Significant Borrowers under the SWIRFT revenue bond indentures: Tarrant Regional Water District; Lone Star Regional Water Authority; Palo Pinto County Municipal Water District No. 1; Coastal Water Authority, North Harris County Regional Water Authority; Sabine River Authority of Texas; North Fort Bend Water Authority; Upper Trinity Regional Water District; and the North Texas Municipal Water District (the "District").

The District finances improvements pursuant to wholesale regional water supply contracts with various municipal counterparties ("Member Cities"). Four of the District's Member Cities, the Cities of Garland, Mesquite, Plano, and Richardson entered into a settlement agreement to amend the rate-setting provisions, among other items. The Public Utility Commission dismissed with prejudice Docket Nos. 46662, 50382, 47863 and 49043, respectively, relating to proceedings involving the District and the Member Cities, and such pleadings are available at www.puc.texas.gov.

Rural Water Assistance Fund

Chapter 15, Subchapter R, of the Texas Water Code authorizes and governs the Rural Water Assistance Fund ("RWAFF"), which is a special fund in the State Treasury. The RWAFF may be used, among other purposes, to (i) provide low interest loans to Rural Political Subdivisions (as defined below) for water or water related projects and for water quality enhancement projects, including the construction of infrastructure facilities for wholesale or retail water and sewer service, desalination projects, the purchase or lease of well water fields; the construction of infrastructure facilities for wholesale purchase or lease of rights to produce groundwater; onsite or wetland wastewater treatment facilities; and interim financing of construction projects, (ii) finance water projects in the State Water Plan or regional water plan or (iii) enable a Rural Political Subdivision to obtain water or wastewater service supplied by larger political subdivisions or to finance the consolidation or regionalization of neighboring political subdivisions, or both. The RWAFF may also be used to (a) contract for outreach, financial, planning, and technical assistance to assist Rural Political Subdivisions in obtaining financial assistance from any source for any purpose that could be funded by the RWAFF and (b) buy down interest rates on loans or provide grants to Rural Political Subdivisions. A "Rural Political Subdivision" is a nonprofit water supply or sewer service corporation, district, or municipality with a service area of 10,000 or less in population; or that otherwise qualifies for financing from a federal agency; or a county in which no urban area exceeds 50,000 in population.

The Board may direct the Comptroller to transfer amounts from the Financial Assistance Account to the RWAFF 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 RWAFF 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 RWAFF.

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, and such funds are currently 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."

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 2022 State Water Plan and it is available on the website of the Board at: <http://www.twdb.texas.gov/waterplanning/swp/2022/index.asp>.

Board Members

The members of the Board currently are:

Brooke T. Paup, Chairwoman. Appointed to the Board by Governor Greg Abbott, effective February 22, 2018. Reappointed to a new term by Governor Greg Abbott on February 6, 2019 and designated as Chairwoman on April 22, 2021. Ms. Paup most recently served as the Director of Legislative Affairs for the Texas Comptroller of Public Accounts and is formerly the Deputy Division Chief of Intergovernmental Relations for the Office of the Attorney General. While with the Office of the Attorney General, Ms. Paup was a Special Assistant for Policy and Research on public finance and legislative and special litigation issues, including SWIFT and SWIRFT. Ms. Paup is a member of the Texas State Bar and holds a Juris Doctor from Texas Tech

University School of Law and is an alumna of Texas A&M University with a Bachelor of Arts degree. Ms. Paup has been appointed for a term set to expire February 1, 2025.

Kathleen Jackson, Member. Appointed to the Board by Governor Rick Perry effective March 18, 2014. 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. In August 2021, Governor Abbott appointed her to the Environmental Flows Advisory Group. She is also a board member and past president of the Lamar Institute of Technology Foundation, a sustaining member of the Junior League of Beaumont, a member of the Texas Farm Bureau, past president of the American Cancer Society of North Jefferson County, and a past board member of Junior Achievement of the Golden Triangle. Ms. Jackson received a bachelor's degree in chemical engineering from North Carolina State University. Ms. Jackson's term expires February 1, 2023.

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 30 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, Deputy Executive Administrator, Water Supply and Infrastructure. Ms. Peña 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 seven 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. Peña holds 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, Director, Debt and Portfolio Management, 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.

Ashley Harden, General Counsel. Before being appointed as General Counsel of the Board in May 2020, Mr. Harden worked as General Counsel for the Texas Comptroller of Public Accounts where his responsibilities involved state and local tax administration, state fiscal matters, and state procurement. Prior to working for the Texas Comptroller, Mr. Harden worked for the Texas Attorney General's Office and the Texas Department of Agriculture, where his practice included banking, public finance, and legal assistance to various federally funded programs. He is a graduate of SMU School of Law and the University of Texas at Austin.

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 (the "Bond Review Board") prior to their issuance. The Bond Review Board is composed of the Governor, the Lieutenant Governor, the Speaker of the House of Representatives, and the Comptroller (as defined herein). The Governor is the Chairman of the Bond Review Board. Each member of the Bond Review Board may, and frequently does, act through a designee.

On August 30, 2021, the Bond Review Board approved the Bonds.

Cybersecurity

The State's Office of the Chief Information Security Officer, in conjunction with the Statewide Information Security Advisory Committee, created a strategic plan for the State that focuses on cybersecurity initiatives. The plan, adopted January 2018, addresses the goals of engagement, tooling, staffing, response and outreach. In addition to compliance with such plan, the Board has adopted information technology policies and procedures, including risk management policies and procedures that are reviewed and updated annually. The Board employs other routine and standard processes that ensure the security of information resources as well, such as an annual controlled penetration test, a biennial Information Security Risk Assessment conducted by a third-party and a Board Security Plan that is updated every two years. In addition, the Board requires annual security awareness training of all employees and contractors and conducts quarterly phishing exercises to reinforce awareness concepts. There have been no material cybersecurity incidents that have impacted the operation or financial condition of the Board.

2021 Legislative Session

In odd-numbered years, the Legislature meets in a regular session lasting 140 days. On January 12, 2021, the Legislature convened in its 87th Regular Session which ended May 31, 2021. Pursuant to HB 1904 of the 87th Regular Session of the Legislature, effective September 1, 2021, the Water Infrastructure Fund may be used to make transfers to the Financial Assistance Account for the purposes described in Section 49-d-8, other than for the purposes described in Sections 17.957 and 17.958, Texas Water Code, as amended. See "WATER ASSISTANCE BOND PROGRAM – Water Infrastructure Fund."

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 with the next review of the Commission expected to be completed in 2023. Pursuant to the Sunset Act, the Commission has initiated a process to conduct its review and provide any recommendations to the Legislature for consideration during the 2023 legislative session. 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 Financial Report ("ACFR"), which includes financial statements audited by the State Auditor, and (c) from time to time notices of certain events as described under "CONTINUING DISCLOSURE OF INFORMATION - 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.

Constitutional Limitation on Debt

Article III, Section 49-j of the Texas Constitution prohibits the Legislature 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 but excluding debt reasonably expected to be paid from other sources, if the resulting maximum annual debt service in any State fiscal year on such State debt payable from the General Revenue Fund exceeds 5% of the average amount of General Revenue Fund revenues for the three immediately preceding fiscal years, excluding revenues constitutionally dedicated for purposes other than payment of state debt.

LEGAL MATTERS

Legal Opinions

The Board will furnish to the Underwriters complete transcripts of proceedings incident to the authorization and issuance of the Bonds, including the legal opinions 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 respective transcripts of proceedings, the legal opinions to like effect of Orrick, Herrington, & Sutcliffe LLP, Bond Counsel and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, and court decisions. In its capacity as Bond Counsel, Bond Counsel has reviewed the information under the captions "PLAN OF FINANCE" (except the subcaption "Anticipated Issuance of General Obligation Additional Bonds," as to which no opinion will be expressed), "THE BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," "LEGAL MATTERS" (except the last two sentences of the first paragraph appearing under this subcaption "Legal Opinions" 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 State's or the Board's compliance with prior continuing disclosure 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 opinions of Bond Counsel in the forms set forth in APPENDIX C to this Official Statement will accompany the Bonds deposited with DTC. Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, 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.

Orrick, Herrington & Sutcliffe LLP and Bracewell LLP represent one or more of the Underwriters from time to time on matters not related to the Bonds.

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

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 the Chairwoman of the Board, or his or her 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, as amended, 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.

It is the obligation of the Underwriters to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The Board has agreed to cooperate, at the Underwriters' written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the Board shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Complete copies of the proposed forms of opinions of Bond Counsel are set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between

compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Certificate, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Board has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Board or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Board has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Board or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Board and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Board legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Board or the Beneficial Owners to incur significant expense.

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 each Bond Resolution, the Board has made the following agreement for the benefit of the holders and Beneficial Owners of the related Bonds. The Board is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Board will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the MSRB through EMMA.

Annual Reports. The Board will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes financial information and operating data of the general type included in TABLES 1 and 2 and APPENDIX B of this Official Statement. The Board will update and provide this information within 195 days after the end of each fiscal year ending in or after 2022.

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 15c2-12 (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 Bond 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; and (14) the appointment of a successor or additional Paying Agent/Registrar or the change of name of a Paying Agent/Registrar, if material. In addition, the Board will provide timely notice of any failure by the Board to provide information, data, or financial statements in accordance with its agreement described above under "Continuing Disclosure Undertaking of the Board – Annual Reports."

For the purposes of the event numbered 12 above, 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," as defined in the Rule. 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 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 financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's EMMA website or filed with the SEC, as permitted by the Rule. The updated information provided by the Comptroller will be provided on a cash basis and will not be audited, but the Comptroller will provide audited financial statements of the State prepared in accordance with generally accepted accounting principles for governmental entities when the State Auditor completes its statutorily required audit of such financial statements. The accounting principles pursuant to which such financial statements must be prepared may be changed from time to time to comply with State law.

The State's current fiscal year end is August 31. Accordingly, the Comptroller must provide updated information 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. The Bond Appendix is not audited and provides financial data on a cash basis. 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 updated financial information, operating 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 and notices 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 ACFR, and annual financial and operating information, and event notices, if any, may be obtained by using the EMMA Quick Search function and entering the term "State of Texas Comptroller." The most recently prepared Bond Appendix, ACFR, and notices may also be accessed on the Comptroller's website at: <https://comptroller.texas.gov/programs/systems/treasury-ops/index.php>.

Limitations and Amendments

The Board and the Comptroller have agreed to update information and to provide notices of 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 the 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 the Bonds may seek a writ of mandamus to compel the Board and the Comptroller to comply with their respective agreements.

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 Bond Review Board 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 may also amend or repeal the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the Board or the Comptroller so amends its disclosure agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

OTHER INFORMATION

Ratings

Fitch Ratings, Inc., Moody's Investors Service, Inc. and S&P Global Ratings, a division of S&P Global Inc., have assigned ratings of "AAA," "Aaa" and "AAA" 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. A securities rating is not a recommendation to buy, sell, or hold securities.

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase: the Series 2021A Bonds at a purchase price of \$35,354,902.17 (consisting of a principal amount of \$31,270,000, plus a net original issue premium of \$4,194,739.95, and less an underwriting discount of \$109,837.78); the Series 2021B Bonds at a purchase price of \$183,009,344.41 (consisting of a principal amount of \$168,460,000, plus a net original issue premium of \$15,077,673.20, and less an underwriting discount of \$528,328.79); and the Series 2021C Bonds at a purchase price of \$17,965,786.70 (consisting of a principal amount of \$15,785,000, plus an original issue premium of \$2,221,551.45, and less an underwriting discount of \$40,764.75).

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 Series 2021B Bonds and the Series 2021C 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 Series 2021B Bonds and Series 2021C Bonds contemplated herein in connection with such Refunded Bonds being redeemed by the Board.

Piper Sandler & Co., one of the underwriters of the Bonds, has entered into a distribution agreement (“Distribution Agreement”) with Charles Schwab & Co., Inc. (“CS&Co”) for the retail distribution of certain securities offerings including the Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Bonds from Piper at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

Unaudited Financial Information

The Board provides financial information and operating data regarding the Development Fund II, and the Economically Distressed Areas Program 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 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 or the date of the Bond Appendix, Comprehensive Annual Financial Report, or event notice, 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 State’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 related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the 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, the documents identified in APPENDIX A hereto are true and correct as of their respective dates and do 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 the Comptroller’s office 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, timely notice of certain financial obligation events, and other specified events.

Financial Advisor

Hilltop Securities Inc. is employed as Financial Advisor to the Board in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Hilltop Securities Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

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 approved the form and content of this Official Statement, and authorized its further use in the reoffering of the Bonds by the Underwriters. Questions regarding this Official Statement may be directed to Georgia Sanchez Director, 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.

TEXAS WATER DEVELOPMENT BOARD

/s/ Jeff Walker

Executive Administrator
Texas Water Development Board

SCHEDULE I - SCHEDULE OF REFUNDED BONDS

Water Financial Assistance Bonds, Series 2011B

| <u>Original Dated Date</u> | <u>Maturity (August 1)</u> | <u>Interest Rate</u> | <u>Amount</u> |
|--------------------------------|--------------------------------|--------------------------|----------------------|
| October 4, 2011 | 2022 | 5.000% | \$ 5,105,000 |
| | 2023 | 5.000% | 5,355,000 |
| | 2024 | 3.000% | 5,640,000 |
| | 2025 | 5.000% | 5,780,000 |
| | 2026 | 5.000% | 6,085,000 |
| | 2027 | 5.000% | 7,200,000 |
| | 2028 | 3.625% | 5,460,000 |
| | 2029 | 5.000% | 5,000,000 |
| | 2029 | 3.750% | 1,825,000 |
| | 2030 | 5.000% | 5,500,000 |
| | 2030 | 3.875% | 845,000 |
| | 2031 | 5.000% | 8,365,000 |
| | | | <u>\$ 62,160,000</u> |

These Refunded Bonds are to be called on November 1, 2021 at par.

Water Financial Assistance Bonds, Series 2012C

| <u>Original Dated Date</u> | <u>Maturity (August 1)</u> | <u>Interest Rate</u> | <u>Amount</u> |
|--------------------------------|--------------------------------|--------------------------|-----------------------|
| April 10, 2012 | 2022 | 5.000% | \$ 4,675,000 |
| | 2023 | 5.000% | 4,910,000 |
| | 2024 | 5.000% | 5,155,000 |
| | 2025 | 5.000% | 5,415,000 |
| | 2026 | 5.000% | 5,685,000 |
| | 2027 | 5.000% | 5,970,000 |
| | 2028 | 5.000% | 6,265,000 |
| | 2029 | 3.350% | 6,580,000 |
| | 2030 | 5.000% | 6,800,000 |
| | 2031 | 5.000% | 7,140,000 |
| | 2032 | 5.000% | 7,500,000 |
| | 2033 | 4.000% ⁽¹⁾ | 7,875,000 |
| | 2034 | 4.000% ⁽¹⁾ | 8,190,000 |
| | 2035 | 4.000% ⁽¹⁾ | 8,515,000 |
| | 2036 | 4.000% ⁽¹⁾ | 8,855,000 |
| | 2037 | 4.000% ⁽¹⁾ | 9,210,000 |
| | 2038 | 4.000% ⁽¹⁾ | 9,580,000 |
| | | | <u>\$ 118,320,000</u> |

These Refunded Bonds are to be called on November 1, 2021 at par.

(1) Represent mandatory sinking fund installments of a Term Bond with a final maturity of August 1, 2038.

**Water Financial Assistance Bonds, Series 2010D
(Economically Distressed Areas Program)**

| <u>Original Dated Date</u> | <u>Maturity (August 1)</u> | <u>Interest Rate</u> | <u>Amount</u> |
|--------------------------------|--------------------------------|--------------------------|----------------------|
| November 2, 2010 | 2022 | 4.000% | \$ 2,020,000 |
| | 2023 | 4.000% | 2,020,000 |
| | 2024 | 4.000% | 2,020,000 |
| | 2025 | 4.000% | 1,020,000 |
| | 2025 | 3.500% | 1,000,000 |
| | 2026 | 4.000% | 2,020,000 |
| | | | <u>\$ 10,100,000</u> |

These Refunded Bonds are to be called on November 1, 2021 at par.

**Water Financial Assistance Bonds, Series 2012B
(Economically Distressed Areas Program)**

| <u>Original Dated Date</u> | <u>Maturity (August 1)</u> | <u>Interest Rate</u> | <u>Amount</u> |
|--------------------------------|--------------------------------|--------------------------|---------------------|
| February 7, 2012 | 2022 | 2.000% | \$ 770,000 |
| | 2023 | 2.000% | 765,000 |
| | 2024 | 2.125% | 765,000 |
| | 2025 | 2.375% | 765,000 |
| | 2026 | 2.500% | 765,000 |
| | 2027 | 2.625% | 765,000 |
| | 2028 | 5.000% | 765,000 |
| | 2029 | 5.000% | 765,000 |
| | 2030 | 5.000% | 765,000 |
| | 2031 | 5.000% | 765,000 |
| | | | <u>\$ 7,655,000</u> |

These Refunded Bonds are to be called on November 1, 2021 at par.

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APPENDIX A

THE STATE OF TEXAS

As described in the body of the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION - 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 body of the Official Statement or incorporated by reference in a subsequent 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 for the fiscal year ended August 31, 2020
- Appendix A: The State of Texas (August 2021)
- 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 Comprehensive Annual Financial Report.

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>. For further information see "CONTINUING DISCLOSURE OF INFORMATION - Continuing Disclosure Undertaking of the Comptroller" in the body of the Official Statement.

Information in the Bond Appendix, Comprehensive Annual Financial Report, and any notice incorporated herein by reference is provided as of the date specified in the documents. 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.

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APPENDIX B

**SELECTED FINANCIAL DATA
AS OF FISCAL YEAR END AUGUST 31
(UNAUDITED)**

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Statement of Net Position - DFund II
UNAUDITED¹

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|--------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and Cash Equivalents: | | | | | |
| Cash in State Treasury | \$ 92,426,424 | \$ 81,390,753 | \$ 91,528,940 | \$ 84,925,680 | \$ 138,221,750 |
| Receivables from: | | | | | |
| Interest and Dividends | 50,027,982 | 50,112,663 | 49,100,085 | 13,431,829 | 12,862,790 |
| Interfund Receivables | 25,317,840 | 25,022,215 | 26,038,798 | 25,497,291 | 25,158,919 |
| Due From Other Funds | 67,780,915 | 67,308,673 | 74,523,221 | 64,512,593 | 67,050,272 |
| Loans and Contracts | 26,530,284 | 25,032,785 | 31,263,815 | 21,876,404 | 23,979,195 |
| Total Current Assets | 262,083,445 | 248,867,089 | 272,454,858 | 210,243,797 | 267,272,925 |
| Non-Current Assets: | | | | | |
| Loans and Contracts | 1,090,183,619 | 1,100,395,834 | 1,081,217,864 | 891,206,460 | 856,314,266 |
| Interfund Receivables | 340,756,562 | 311,599,347 | 302,001,377 | 270,414,142 | 209,949,360 |
| Total Non-Current Assets | 1,430,940,182 | 1,411,995,182 | 1,383,219,242 | 1,161,620,602 | 1,066,263,626 |
| Total Assets | \$ 1,693,023,627 | \$ 1,660,862,271 | \$ 1,655,674,100 | \$ 1,371,864,399 | \$ 1,333,536,551 |
| LIABILITIES | | | | | |
| Current Liabilities: | | | | | |
| Payables from: | | | | | |
| Accounts Payable | \$ 36,065 | \$ - | \$ - | \$ 37,552 | \$ - |
| Interest Payable | 6,962,659 | 6,838,535 | 6,713,351 | 5,676,115 | 5,487,118 |
| Due to Other Funds | 67,780,915 | 67,308,673 | 74,523,221 | 62,295,625 | 65,651,230 |
| General Obligation Bonds Payable | 60,818,599 | 60,504,777 | 67,848,620 | 56,712,599 | 60,192,599 |
| Total Current Liabilities | 135,598,239 | 134,651,985 | 149,085,191 | 124,721,891 | 131,330,947 |
| Non-Current Liabilities: | | | | | |
| General Obligation Bonds Payable | 1,329,585,028 | 1,283,578,237 | 1,248,166,576 | 992,170,915 | 931,978,316 |
| Total Non-Current Liabilities | 1,329,585,028 | 1,283,578,237 | 1,248,166,576 | 992,170,915 | 931,978,316 |
| Total Liabilities | \$ 1,465,183,267 | \$ 1,418,230,222 | \$ 1,397,251,767 | \$ 1,116,892,806 | \$ 1,063,309,263 |
| NET POSITION | | | | | |
| Unrestricted | 227,840,360 | 242,632,049 | 258,422,332 | 254,971,593 | 270,227,288 |
| Total Net Position | \$ 227,840,360 | \$ 242,632,049 | \$ 258,422,332 | \$ 254,971,593 | \$ 270,227,288 |

Numbers may not add due to rounding

¹The 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 Annual Comprehensive 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 ACFR Audit are not reflected in the amounts reported here.

Statement of Revenues, Expenses, and Changes in Net Position - DFund II
UNAUDITED¹

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| OPERATING REVENUES: | | | | | |
| Interest and Investment Income | \$ 77,651,475 | \$ 67,348,014 | \$ 66,098,215 | \$ 43,826,509 | \$ 51,681,608 |
| Total Operating Revenues | 77,651,475 | 67,348,014 | 66,098,215 | 43,826,509 | 51,681,608 |
| OPERATING EXPENSES: | | | | | |
| Professional Fees and Services | 1,680,613 | 474,971 | 523,179 | 276,492 | 25,128 |
| Travel | 6,888 | 1,255 | - | 1,838 | - |
| Printing and Reproduction | 1,214 | 2,951 | 1,284 | 314 | - |
| Interest | 58,901,716 | 52,120,852 | 49,773,969 | 48,027,847 | 36,400,785 |
| Other Operating Expenses | 476,889 | 19,000 | 9,500 | - | - |
| Total Operating Expenses | 61,067,320 | 52,619,029 | 50,307,931 | 48,306,492 | 36,425,914 |
| Operating Income (Loss) | 16,584,155 | 14,728,985 | 15,790,284 | (4,479,982) | 15,255,695 |
| Income/(Loss) before Other Revenues, Expenses, Gains/Losses and Transfers | 16,584,155 | 14,728,985 | 15,790,284 | (4,479,982) | 15,255,695 |
| OTHER REVENUES, EXPENSES, GAINS/LOSSES AND TRANSFERS: | | | | | |
| Transfers-In | 40,266,006 | 61,650,456 | 63,143,501 | 47,898,511 | 56,437,053 |
| Transfers-Out | (44,228,747) | (61,587,753) | (63,143,501) | (46,869,268) | (56,437,053) |
| Total Other Revenue, Expenses, Gain/Losses and Transfers | (3,962,741) | 62,704 | - | 1,029,243 | - |
| Change in Net Position | 12,621,413 | 14,791,689 | 15,790,284 | (3,450,740) | 15,255,695 |
| Total Net Position - September 1 | 215,218,947 | 227,840,360 | 242,632,049 | 258,422,332 | 254,971,593 |
| Total Net Position - August 31 | \$ 227,840,360 | \$ 242,632,049 | \$ 258,422,332 | \$ 254,971,593 | \$ 270,227,288 |

Numbers may not add due to rounding

¹The 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 Annual Comprehensive 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 ACFR Audit are not reflected in the amounts reported here.

Balance Sheet / Statement of Net Position - EDAP
UNAUDITED¹

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and Cash Equivalents: | | | | | |
| Cash in State Treasury | \$ 1,531,106 | \$ 1,853,410 | \$ 2,237,468 | \$ 925,410 | \$ 878,344 |
| Receivables From: | | | | | |
| Interest and Dividends | 190,116 | 170,640 | 153,210 | 149,133 | 143,117 |
| Loans and Contracts | 1,725,094 | 1,816,314 | 1,832,701 | 1,917,836 | 1,915,566 |
| Total Current Assets | 3,446,316 | 3,840,364 | 4,223,379 | 2,992,379 | 2,937,028 |
| Non-Current Assets: | | | | | |
| Loans & Contracts | 25,754,541 | 23,596,925 | 21,348,838 | 22,951,002 | 20,538,436 |
| Total Noncurrent Assets | 25,754,541 | 23,596,925 | 21,348,838 | 22,951,002 | 20,538,436 |
| Total Assets | \$ 29,200,857 | \$ 27,437,289 | \$ 25,572,217 | \$ 25,943,381 | \$ 23,475,464 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Current Liabilities: | | | | | |
| Payables From: | | | | | |
| Accounts Payable | \$ 81,384 | \$ - | \$ - | \$ 5,504 | \$ - |
| Interest Payable | 815,102 | 754,898 | 672,578 | 769,599 | 695,514 |
| General Obligation Bonds Payable | 22,629,612 | 22,873,140 | 22,874,134 | 23,229,761 | 22,144,761 |
| Total Current Liabilities | 23,526,098 | 23,628,038 | 23,546,712 | 24,004,864 | 22,840,275 |
| Non-Current Liabilities: | | | | | |
| General Obligation Bonds Payable | 236,539,316 | 213,764,093 | 190,889,959 | 218,450,843 | 196,306,082 |
| Total Non-Current Liabilities | 236,539,316 | 213,764,093 | 190,889,959 | 218,450,843 | 196,306,082 |
| Total Liabilities | \$ 260,065,414 | \$ 237,392,131 | \$ 214,436,671 | \$ 242,455,707 | \$ 219,146,357 |
| FUND FINANCIAL STATEMENT - FUND BALANCES | | | | | |
| Fund Balances (Deficits): | | | | | |
| Restricted | 29,119,473 | 27,437,289 | 25,572,217 | 25,937,877 | 23,475,464 |
| Government-Wide Statement of Net Position | | | | | |
| Net Position: | | | | | |
| Restricted for: | | | | | |
| Debt Retirement | (259,984,030) | (237,392,131) | (214,436,671) | (242,450,203) | (219,146,357) |
| Total Net Position² | \$ (230,864,557) | \$ (209,954,841) | \$ (188,864,454) | \$ (216,512,326) | \$ (195,670,893) |

Numbers may not add due to rounding

¹The 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 Annual Comprehensive 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 ACFR Audit are not reflected in the amounts reported here.

²Total Net Position reflects Total Fund Balances offsets by amounts in Net Position Restricted for Debt Retirement.

Statement of Revenues, Expenditures and Changes in Fund Balances / Statement of Activities - EDAP
UNAUDITED¹

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| REVENUES | | | | | |
| Interest and Other Investment Income | \$ 310,482 | \$ 766,675 | \$ 724,763 | \$ 938,177 | \$ 690,873 |
| Total Revenues | 310,482 | 766,675 | 724,763 | 938,177 | 690,873 |
| EXPENDITURES | | | | | |
| Professional Fees and Services | 517,847 | 121,997 | 10,747 | 490,068 | 14,568 |
| Travel | 3,085 | 434 | - | 269 | - |
| Printing and Reproduction | - | 617 | - | 2,850 | - |
| Intergovernmental Payments | 26,819,949 | - | (6,000) | 33,257,116 | (40) |
| Public Assistance Payments | 16,547,000 | - | - | 17,795,000 | - |
| Other Expenditures | 9,500 | 9,500 | - | - | - |
| Debt service: | | | | | |
| Interest | 8,498,675 | 7,900,722 | 6,916,972 | 7,062,217 | 7,050,343 |
| Total Expenditures | 52,396,055 | 8,033,270 | 6,921,718 | 58,607,520 | 7,064,872 |
| Excess (Deficiency) of Revenues Over Expenditures | (52,085,573) | (7,266,596) | (6,196,955) | (57,669,343) | (6,373,998) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers In | 29,880,411 | 30,674,769 | 29,886,794 | 33,277,979 | 30,319,489 |
| Transfers Out | (2,465,548) | (2,493,687) | (2,599,451) | (3,256,508) | (3,104,058) |
| Total Other Financing Sources (Uses) | 27,414,863 | 28,181,082 | 27,287,343 | 30,021,471 | 27,215,431 |
| Net Change in Fund Balances/Net Position | (24,670,710) | 20,914,486 | 21,090,388 | (27,647,872) | 20,841,433 |
| STATEMENT OF NET POSITION | | | | | |
| Net Position - September 1 | (206,198,534) | (230,869,328) | (209,954,842) | (188,864,454) | (216,512,326) |
| Net Position - August 31 | \$ (230,869,244) | \$ (209,954,842) | \$ (188,864,454) | \$ (216,512,326) | \$ (195,670,893) |

Numbers may not add due to rounding

¹The 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 Annual Comprehensive 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 ACFR Audit are not reflected in the amounts reported here.

APPENDIX C

PROPOSED FORMS OF BOND COUNSEL OPINIONS

Opinions in substantially the following forms will be delivered by Orrick, Herrington & Sutcliffe LLP, Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

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+1 512 582 6950
orrick.com

September 28, 2021

State of Texas
Water Financial Assistance Bonds,
Series 2021A

We have acted as Bond Counsel to the Texas Water Development Board (the “Board”) in connection with issuance of \$31,270,000 aggregate principal amount of State of Texas Water Financial Assistance Bonds, Series 2021A (the “Bonds”) issued pursuant to a resolution adopted by the Board on July 22, 2021 (the “Bond Resolution”) and an approval certificate dated September 15, 2021 executed pursuant to the Bond Resolution (the “Approval Certificate” and together with the Bond Resolution, the “Resolution”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

We have acted as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas (the “State”) and with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State; federal income tax law and a transcript of certain proceedings pertaining to the issuance of the Bonds. The transcript contains certified copies of certain proceedings of the Board; certain certifications and representations and other material facts within the knowledge and control of the Board, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds, including the Resolution. We have also examined executed Bond No. R-1.

We have not been requested to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the Board or the State or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Board's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Based on such examination, it is our opinion as follows:

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State presently in effect; the Bonds constitute valid and legally binding obligations of the State enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization,



moratorium or other similar laws affecting the rights of creditors of political subdivisions and governmental agencies and the exercise of judicial discretion in appropriate cases.

2. The Bonds constitute valid and legally binding general obligations of the State, pursuant to Article III, Section 49-d-8 and Section 49-d-11 of the Constitution, as amended, and Subchapter L of Chapter 17 of the Texas Water Code, as amended, which made a continuing appropriation without the necessity of subsequent legislative appropriation of the first moneys, not otherwise appropriated by the Constitution, coming into the Treasury in each fiscal year, in an amount sufficient to pay the principal and interest on the Bonds scheduled to mature during such fiscal years; and that all official actions have been taken to render fully effective for the Bonds such source of payment and other sources prescribed in the cited provisions of the Constitution and in the enabling act; and that the full faith and credit of the State are pledged to the payment of principal and interest on the Bonds; and the Bonds have been authorized and delivered in accordance with law.
3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

We have assumed compliance with all covenants and agreements contained in the Resolution, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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September 28, 2021

State of Texas
Water Financial Assistance Refunding Bonds,
Series 2021B

We have acted as Bond Counsel to the Texas Water Development Board (the “Board”) in connection with issuance of \$168,460,000 aggregate principal amount of State of Texas Water Financial Assistance Refunding Bonds, Series 2021B (the “Bonds”) issued pursuant to a resolution adopted by the Board on July 22, 2021 (the “Bond Resolution”) and an approval certificate dated September 15, 2021 executed pursuant to the Bond Resolution (the “Approval Certificate” and together with the Bond Resolution, the “Resolution”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

We have acted as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas (the “State”) and with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State; federal income tax law and a transcript of certain proceedings pertaining to the issuance of the Bonds. The transcript contains certified copies of certain proceedings of the Board; certain certifications and representations and other material facts within the knowledge and control of the Board, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds, including the Resolution and an escrow agreement (the “Escrow Agreement”) between the Board and The Bank of New York Mellon Trust Company, N.A. (the “Escrow Agent”). We have also examined executed Bond No. R-1.

We have not been requested to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the Board or the State or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Board's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Based on such examination, it is our opinion as follows:

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State presently in effect; the Bonds constitute valid and legally binding obligations of the State enforceable in accordance with the terms and conditions thereof, except to the



extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and governmental agencies and the exercise of judicial discretion in appropriate cases.

2. The Bonds constitute valid and legally binding general obligations of the State, pursuant to Article III, Section 49-d-8 and Section 49-d-9 of the Constitution, as amended, and Subchapter L of Chapter 17 of the Texas Water Code, as amended, which made a continuing appropriation without the necessity of subsequent legislative appropriation of the first moneys, not otherwise appropriated by the Constitution, coming into the Treasury in each fiscal year, in an amount sufficient to pay the principal and interest on the Bonds scheduled to mature during such fiscal years; and that all official actions have been taken to render fully effective for the Bonds such source of payment and other sources prescribed in the cited provisions of the Constitution and in the enabling act; and that the full faith and credit of the State are pledged to the payment of principal and interest on the Bonds; and the Bonds have been authorized and delivered in accordance with law.
3. The Escrow Agreement has been duly authorized, executed and delivered and is a binding and enforceable agreement in accordance with its terms and the outstanding obligations refunded, discharged, paid and retired with the proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in a fund with the Escrow Agent, pursuant to the Escrow Agreement and in accordance with the provisions of Texas Government Code, Chapter 1207, as amended. In rendering this opinion, we have relied upon a certification of the Escrow Agent contained in the Escrow Agreement as to the sufficiency of cash or investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

We have assumed compliance with all covenants and agreements contained in the Resolution, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

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

September 28, 2021

Page 3



are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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September 28, 2021

State of Texas
Water Financial Assistance Refunding Bonds,
Series 2021C
(Economically Distressed Areas Program)

We have acted as Bond Counsel to the Texas Water Development Board (the “Board”) in connection with issuance of \$15,785,000 aggregate principal amount of State of Texas Water Financial Assistance Refunding Bonds, Series 2021C (Economically Distressed Areas Program) (the “Bonds”) issued pursuant to a resolution adopted by the Board on July 22, 2021 (the “Bond Resolution”) and an approval certificate dated September 15, 2021 executed pursuant to the Bond Resolution (the “Approval Certificate” and together with the Bond Resolution, the “Resolution”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

We have acted as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas (the “State”) and with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State; federal income tax law and a transcript of certain proceedings pertaining to the issuance of the Bonds. The transcript contains certified copies of certain proceedings of the Board; certain certifications and representations and other material facts within the knowledge and control of the Board, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds, including the Resolution and an escrow agreement (the “Escrow Agreement”) between the Board and The Bank of New York Mellon Trust Company, N.A. (the “Escrow Agent”). We have also examined executed Bond No. R-1.

We have not been requested to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the Board or the State or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Board's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Based on such examination, it is our opinion as follows:

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State presently in effect; the Bonds constitute valid and legally binding obligations of the



State enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and governmental agencies and the exercise of judicial discretion in appropriate cases.

2. The Bonds constitute valid and legally binding general obligations of the State, pursuant to Article III, Section 49-d-8 and Section 49-d-10 of the Constitution, as amended, and Subchapter L of Chapter 17 of the Texas Water Code, as amended, which made a continuing appropriation without the necessity of subsequent legislative appropriation of the first moneys, not otherwise appropriated by the Constitution, coming into the Treasury in each fiscal year, in an amount sufficient to pay the principal and interest on the Bonds scheduled to mature during such fiscal years; and that all official actions have been taken to render fully effective for the Bonds such source of payment and other sources prescribed in the cited provisions of the Constitution and in the enabling act; and that the full faith and credit of the State are pledged to the payment of principal and interest on the Bonds; and the Bonds have been authorized and delivered in accordance with law.
3. The Escrow Agreement has been duly authorized, executed and delivered and is a binding and enforceable agreement in accordance with its terms and the outstanding obligations refunded, discharged, paid and retired with the proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in a fund with the Escrow Agent, pursuant to the Escrow Agreement and in accordance with the provisions of Texas Government Code, Chapter 1207, as amended. In rendering this opinion, we have relied upon a certification of the Escrow Agent contained in the Escrow Agreement as to the sufficiency of cash or investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

We have assumed compliance with all covenants and agreements contained in the Resolution, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to

September 28, 2021

Page 3



reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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APPENDIX D

SCHEDULE OF DEBT SERVICE REQUIREMENTS

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SCHEDULE OF DEBT SERVICE REQUIREMENTS

| | |
|--|---|
| <p>\$31,270,000 State of Texas Water Financial Assistance Bonds, Series 2021A</p> | <p>\$168,460,000 State of Texas Water Financial Assistance Refunding Bonds, Series 2021B</p> |
|--|---|

| Fiscal Year | Less: | | | | | | | | Projected Total Debt Service |
|-------------|--------------------------------|--------------------------|--------------------------|----------------------|----------------------|--------------------------|----------------------|-----------------------|------------------------------------|
| | Total Existing Debt Service | Refunded Debt Service | 2021A Bonds Debt Service | | | 2021B Bonds Debt Service | | | |
| | | | Principal | Interest | Total | Principal | Interest | Total | |
| 2022 | \$ 86,487,153 | \$ 17,952,986 | \$ 895,000 | \$ 916,180 | \$ 1,811,180 | \$ 10,615,000 | \$ 5,121,889 | \$ 15,736,889 | \$ 86,082,236 |
| 2023 | 77,667,668 | 17,948,986 | 755,000 | 1,052,731 | 1,807,731 | 10,160,000 | 5,571,669 | 15,731,669 | 77,258,082 |
| 2024 | 75,218,683 | 17,965,736 | 785,000 | 1,022,531 | 1,807,531 | 10,575,000 | 5,173,794 | 15,748,794 | 74,809,272 |
| 2025 | 70,429,692 | 17,938,786 | 825,000 | 983,281 | 1,808,281 | 11,040,000 | 4,684,419 | 15,724,419 | 70,023,606 |
| 2026 | 66,856,307 | 17,954,036 | 870,000 | 942,031 | 1,812,031 | 11,605,000 | 4,132,419 | 15,737,419 | 66,451,720 |
| 2027 | 65,197,857 | 18,765,536 | 910,000 | 898,531 | 1,808,531 | 12,885,000 | 3,668,219 | 16,553,219 | 64,794,070 |
| 2028 | 60,799,236 | 16,662,036 | 955,000 | 853,031 | 1,808,031 | 11,295,000 | 3,152,819 | 14,447,819 | 60,393,050 |
| 2029 | 62,030,443 | 17,830,861 | 1,005,000 | 805,281 | 1,810,281 | 12,915,000 | 2,701,019 | 15,616,019 | 61,625,882 |
| 2030 | 58,041,761 | 17,031,994 | 1,055,000 | 755,031 | 1,810,031 | 12,635,000 | 2,184,419 | 14,819,419 | 57,639,217 |
| 2031 | 58,891,074 | 18,744,250 | 1,110,000 | 702,281 | 1,812,281 | 14,850,000 | 1,679,019 | 16,529,019 | 58,488,124 |
| 2032 | 49,221,175 | 9,964,000 | 1,165,000 | 646,781 | 1,811,781 | 6,665,000 | 1,085,019 | 7,750,019 | 48,818,975 |
| 2033 | 49,331,456 | 9,964,000 | 1,210,000 | 600,181 | 1,810,181 | 6,815,000 | 935,056 | 7,750,056 | 48,927,694 |
| 2034 | 44,553,101 | 9,964,000 | 1,260,000 | 551,781 | 1,811,781 | 6,970,000 | 781,719 | 7,751,719 | 44,152,601 |
| 2035 | 44,604,260 | 9,961,400 | 1,310,000 | 501,381 | 1,811,381 | 7,140,000 | 607,469 | 7,747,469 | 44,201,710 |
| 2036 | 43,526,132 | 9,960,800 | 1,350,000 | 462,081 | 1,812,081 | 7,280,000 | 464,669 | 7,744,669 | 43,122,082 |
| 2037 | 49,115,545 | 9,961,600 | 1,390,000 | 421,581 | 1,811,581 | 7,430,000 | 319,069 | 7,749,069 | 48,714,595 |
| 2038 | 49,135,435 | 9,963,200 | 1,430,000 | 379,881 | 1,809,881 | 7,585,000 | 161,181 | 7,746,181 | 48,728,297 |
| 2039 | 56,523,362 | - | 1,475,000 | 336,981 | 1,811,981 | - | - | - | 58,335,343 |
| 2040 | 56,702,541 | - | 1,515,000 | 292,731 | 1,807,731 | - | - | - | 58,510,272 |
| 2041 | 56,885,997 | - | 1,565,000 | 247,281 | 1,812,281 | - | - | - | 58,698,279 |
| 2042 | 25,321,295 | - | 1,610,000 | 200,331 | 1,810,331 | - | - | - | 27,131,626 |
| 2043 | 25,515,395 | - | 1,650,000 | 162,094 | 1,812,094 | - | - | - | 27,327,489 |
| 2044 | 25,306,000 | - | 1,685,000 | 122,906 | 1,807,906 | - | - | - | 27,113,906 |
| 2045 | 25,501,350 | - | 1,725,000 | 82,888 | 1,807,888 | - | - | - | 27,309,238 |
| 2046 | - | - | 1,765,000 | 41,919 | 1,806,919 | - | - | - | 1,806,919 |
| | <u>\$ 1,282,862,919</u> | <u>\$ 248,534,209</u> | <u>\$ 31,270,000</u> | <u>\$ 13,981,712</u> | <u>\$ 45,251,712</u> | <u>\$ 168,460,000</u> | <u>\$ 42,423,864</u> | <u>\$ 210,883,864</u> | <u>\$ 1,290,464,286</u> |

SCHEDULE OF DEBT SERVICE REQUIREMENTS

\$15,785,000
 State of Texas
 Water Financial Assistance
 Refunding Bonds, Series 2021C
 (Economically Distressed Areas Program)

| Year | Total Existing Debt Service | Less: Refunded Debt Service | 2021C Bonds Debt Service | | | Projected Total Debt Service |
|------|--------------------------------|-----------------------------------|--------------------------|---------------------|----------------------|------------------------------------|
| | | | Principal | Interest | Total | |
| 2022 | \$ 27,495,734 | \$ 3,446,331 | \$ 2,830,000 | \$ 613,238 | \$ 3,443,238 | \$ 27,492,641 |
| 2023 | 25,603,371 | 3,345,131 | 2,725,000 | 615,400 | 3,340,400 | 25,598,640 |
| 2024 | 24,282,068 | 3,249,031 | 2,740,000 | 506,400 | 3,246,400 | 24,279,437 |
| 2025 | 20,367,928 | 3,151,975 | 2,780,000 | 369,400 | 3,149,400 | 20,365,353 |
| 2026 | 17,366,959 | 3,058,006 | 2,825,000 | 230,400 | 3,055,400 | 17,364,353 |
| 2027 | 14,858,471 | 938,081 | 845,000 | 89,150 | 934,150 | 14,854,540 |
| 2028 | 14,424,890 | 918,000 | 870,000 | 46,900 | 916,900 | 14,423,790 |
| 2029 | 13,965,890 | 879,750 | 170,000 | 3,400 | 173,400 | 13,259,540 |
| 2030 | 12,371,590 | 841,500 | - | - | - | 11,530,090 |
| 2031 | 11,921,340 | 803,250 | - | - | - | 11,118,090 |
| 2032 | 10,787,740 | - | - | - | - | 10,787,740 |
| 2033 | 7,729,425 | - | - | - | - | 7,729,425 |
| 2034 | 7,483,775 | - | - | - | - | 7,483,775 |
| 2035 | 7,235,144 | - | - | - | - | 7,235,144 |
| 2036 | 2,758,631 | - | - | - | - | 2,758,631 |
| 2037 | 2,677,219 | - | - | - | - | 2,677,219 |
| 2038 | 2,592,675 | - | - | - | - | 2,592,675 |
| | <u>\$ 223,922,850</u> | <u>\$ 20,631,056</u> | <u>\$ 15,785,000</u> | <u>\$ 2,474,288</u> | <u>\$ 18,259,288</u> | <u>\$ 221,551,082</u> |

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof and the information is not to be construed as a representation by the Board, the Financial Advisor or the Underwriters.

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

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