

OFFICIAL STATEMENT DATED MAY 28, 2015

NEW ISSUE - Book-Entry-Only

Ratings: Fitch "AAA"; Moody's "Aaa"; S&P "AAA"

See "OTHER INFORMATION-Ratings"

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



\$43,715,000
State of Texas
Water Financial Assistance Bonds,
Series 2015E (Economically Distressed
Areas Program)

\$92,920,000
STATE OF TEXAS
GENERAL OBLIGATION BONDS

\$37,790,000
State of Texas
Water Financial Assistance Bonds,
Series 2015F

\$11,415,000
State of Texas
Water Financial Assistance Bonds,
Taxable Series 2015G

Dated Date: Date of Delivery

Due: August 1, as shown on pages i through iii herein

The State of Texas Water Financial Assistance Bonds, Series 2015E (Economically Distressed Areas Program) (the "Series 2015E Bonds"), the State of Texas Water Financial Assistance Bonds, Series 2015F (the "Series 2015F Bonds") and the State of Texas Water Financial Assistance Bonds, Taxable Series 2015G (the "Taxable Series 2015G Bonds" and, together with the Series 2015E Bonds and the Series 2015F Bonds, the "Bonds") are general obligations of the State of Texas (the "State") and are issued by the Texas Water Development Board (the "Board") under the authority of the Constitution and laws of the State. The Bonds are initially issued in fully-registered form only, without coupons, in denominations of \$5,000 (or any integral multiple thereof) (see "THE BONDS – General Provisions"). No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds is payable by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as paying agent/registrars, to Cede & Co., which makes distribution of the amounts so paid to the beneficial owners of the Bonds (see "APPENDIX E – Book-Entry-Only System" herein).

Interest on the Bonds will accrue from the Date of Delivery (as defined below) at the fixed rates of interest shown on pages i through iii 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 August 1, 2015, and on each February 1 and August 1 thereafter until maturity or prior redemption.

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

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

The Bonds are issued pursuant to three separate resolutions, one relating to and authorizing each series of Bonds (collectively, the "Bond Resolution") and each adopted on February 25, 2015, in which the Board delegated to certain designated officials the authority to establish and approve the final terms of sale of the Bonds through the execution of certain Approval Certificates, each relating to a respective series of Bonds (the Bond Resolution and Approval Certificates are collectively referred to herein as the "Resolution"). These Approval Certificates were executed by a duly authorized Board official on May 28, 2015. The Bonds are being issued pursuant to the Resolution, the Constitution and laws of the State, including particularly Article III, Section 49-d-8 and Section 49-d-9, Texas Constitution, Subchapter L of Chapter 17 of the Texas Water Code, as amended (the "Act") and Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), in order to, (i) with respect to the Series 2015E Bonds, provide funds for the Economically Distressed Areas Program Account for EDAP Projects, as defined herein, (ii) with respect to the Series 2015F Bonds and Taxable Series 2015G Bonds, provide funds for the Financial Assistance Account for Water Assistance Projects, as defined herein and (iii) pay expenses arising in connection with the issuance of the Bonds.

SEE PAGES i THROUGH iii HEREIN FOR MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR EACH SERIES OF BONDS

The Bonds are offered for delivery when, as and if issued and accepted by the underwriters listed below (the "Underwriters"), subject to prior sale, withdrawal or modification of the offer without notice and are subject to the approval as to legality by the Attorney General of the State and the approval of certain legal matters by Norton Rose Fulbright US LLP, Bond Counsel. Certain additional matters will be passed upon for the Board by its Disclosure Counsel, Escamilla & Poneck, LLP, San Antonio, Texas. Certain legal matters will be passed upon for the Underwriters by their counsel, Kassahn & Ortiz, P.C., 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 June 18, 2015 (the "Date of Delivery").

RAMIREZ & CO., INC.

LOOP CAPITAL MARKETS

MESIROW FINANCIAL, INC.

**SAMCO
CAPITAL MARKETS, INC.**

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STATE OF TEXAS
GENERAL OBLIGATION BONDS
MATURITY SCHEDULE
\$43,715,000
State of Texas
Water Financial Assistance Bonds,
Series 2015E
(Economically Distressed Areas Program)
SERIAL BONDS

<u>Maturity (August 1)</u> ⁽¹⁾⁽²⁾	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP</u> ⁽⁴⁾
2015	5,430,000	2.000	0.140	882723WX3
2016	1,905,000	4.000	0.500	882723WY1
2017	1,915,000	5.000	0.800	882723WZ8
2018	1,915,000	5.000	1.190	882723XA2
2019	1,915,000	5.000	1.440	882723XB0
2020	1,915,000	5.000	1.660	882723XC8
2021	1,915,000	5.000	1.930	882723XD6
2022	1,915,000	5.000	2.090	882723XE4
2023	1,915,000	5.000	2.240	882723XF1
2024	1,915,000	5.000	2.410	882723XG9
2025	1,915,000	5.000	2.520	882723XH7
2026	1,915,000	5.000	2.670 ⁽³⁾	882723XJ3
2027	1,915,000	5.000	2.780 ⁽³⁾	882723XK0
2028	1,915,000	5.000	2.880 ⁽³⁾	882723XL8
2029	1,915,000	5.000	2.950 ⁽³⁾	882723XM6
2030	1,915,000	5.000	3.020 ⁽³⁾	882723XN4
2031	1,915,000	5.000	3.080 ⁽³⁾	882723XP9
2032	1,915,000	5.000	3.130 ⁽³⁾	882723XQ7
2033	1,915,000	5.000	3.170 ⁽³⁾	882723XR5
2034	1,915,000	5.000	3.210 ⁽³⁾	882723XS3
2035	1,910,000	5.000	3.250 ⁽³⁾	882723XT1

(Interest to accrue from the Date of Delivery)

- (1) *Optional Redemption.* The Series 2015E 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. See “THE BONDS – Redemption Provisions.”
- (2) *Extraordinary Mandatory Redemption.* The Series 2015E Bonds are subject to extraordinary mandatory redemption prior to maturity as described under “THE BONDS – Redemption Provisions – *Extraordinary Mandatory Redemption of Tax-Exempt Bonds.*”
- (3) Yield calculated based on assumption that the Series 2015E Bonds denoted and sold at a premium will be redeemed on August 1, 2025, the first optional call date therefor, at the price of par plus accrued interest to such date of redemption.
- (4) CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor’s Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the State, the Board, the Financial Advisor, or the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

STATE OF TEXAS
GENERAL OBLIGATION BONDS

MATURITY SCHEDULE

\$37,790,000

**State of Texas
Water Financial Assistance Bonds,
Series 2015F**

SERIAL BONDS

<u>Maturity (August 1)⁽¹⁾⁽²⁾</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP⁽³⁾</u>
2015	1,505,000	2.000	0.140	882723XU8
2016	5,230,000	2.000	0.400	882723XV6
2017	4,850,000	5.000	0.800	882723XW4
2018	4,600,000	5.000	1.190	882723XX2
2019	4,280,000	5.000	1.440	882723XY0
2020	4,060,000	5.000	1.660	882723XZ7
2021	4,145,000	5.000	1.930	882723YA1
2022	3,630,000	5.000	2.090	882723YB9
2023	3,050,000	5.000	2.240	882723YC7
2024	2,440,000	5.000	2.410	882723YD5

(Interest to accrue from the Date of Delivery)

- (1) *Optional Redemption.* The Series 2015F Bonds are not subject to redemption, at the option of the Board, prior to stated maturity. See “THE BONDS – Redemption Provisions.”
- (2) *Extraordinary Mandatory Redemption.* The Series 2015F Bonds are subject to extraordinary mandatory redemption prior to maturity as described under “THE BONDS – Redemption Provisions – *Extraordinary Mandatory Redemption of Tax-Exempt Bonds.*”
- (3) CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor’s Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the State, the Board, the Financial Advisor, or the Underwriters is responsible for the selection or correctness of the CUSIP numbers set forth herein.

STATE OF TEXAS
GENERAL OBLIGATION BONDS

MATURITY SCHEDULE

\$11,415,000

State of Texas
Water Financial Assistance Bonds,
Taxable Series 2015G

SERIAL BONDS

<u>Maturity (August 1)⁽¹⁾</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP⁽²⁾</u>
2016	660,000	0.600	0.600	882723YE3
2017	665,000	0.971	0.971	882723YF0
2018	670,000	1.352	1.352	882723YG8
2019	680,000	1.860	1.860	882723YH6
2020	695,000	2.060	2.060	882723YJ2
2021	705,000	2.381	2.381	882723YK9
2022	725,000	2.531	2.531	882723YL7
2023	740,000	2.732	2.732	882723YM5
2024	765,000	2.862	2.862	882723YN3
2025	785,000	2.982	2.982	882723YP8
2026	810,000	3.162	3.162	882723YQ6
2027	835,000	3.432	3.432	882723YR4

TERM BONDS

\$2,680,000 Term Bonds maturing August 1, 2030, yield 3.682%; CUSIP No. 882723YS2⁽¹⁾⁽²⁾⁽³⁾

(Interest to accrue from the Date of Delivery)

- ⁽¹⁾ *Optional Redemption.* The Taxable Series 2015G Bonds having stated maturities on and after August 1, 2025, are subject to redemption at the option of the Board, in whole or from time to time in part on August 1, 2024 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See “THE BONDS – Redemption Provisions.”
- ⁽²⁾ CUSIP[®] is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor’s Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the State, the Board, the Financial Advisor, or the Underwriters is responsible for the selection or correctness of the CUSIP numbers set forth herein.
- ⁽³⁾ *Mandatory Sinking Fund Redemption.* The Term Bonds will be subject to mandatory sinking fund redemption as described under “THE BONDS – Redemption Provisions.”

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SALE AND DISTRIBUTION OF THE BONDS

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

Use of Official Statement

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

The Series 2015E Bonds, Series 2015F Bonds, and Taxable Series 2015G 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 and the rights of the holders.

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

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT FACTS AND CIRCUMSTANCES ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION MAY NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE BONDS DESCRIBED HEREIN SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the undertakings of the Board and the Comptroller of Public Accounts of the State, 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, ITS 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 i THROUGH iii 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 AGREEMENTS, 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. For more information, see "OTHER INFORMATION – Underwriting" herein.

Securities Laws

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

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

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

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

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APPENDIX B..... Selected Financial Data (Unaudited)
APPENDIX C..... Proposed Forms of Bond Counsel Opinions
APPENDIX D Schedule of Debt Service Requirements
APPENDIX E..... Book-Entry-Only System

TEXAS WATER DEVELOPMENT BOARD

Member	Term Expiration
Carlos Rubinstein, Chairman	February 1, 2017
Bech Bruun, Member	February 1, 2019
Kathleen Jackson, Member	February 1, 2015 ⁽¹⁾

KEY STAFF MEMBERS

Kevin Patteson	Executive Administrator
Les Trobman	General Counsel
Amanda Landry	Chief Financial Officer and Development Fund Manager

BOND COUNSEL
Norton Rose Fulbright US LLP
Austin, Dallas and San Antonio, Texas

FINANCIAL ADVISOR
First Southwest Company
Austin, Dallas and San Antonio, Texas

DISCLOSURE COUNSEL
Escamilla & Poneck, LLP
Austin and San Antonio, 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 Amanda Landry, Chief Financial Officer and Development Fund Manager, Texas Water Development Board, 1700 North Congress, Suite 620K, Austin, Texas 78701; Telephone: (512) 936-0809; Electronic Mail: amanda.landry@twdb.texas.gov.

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⁽¹⁾ Ms. Jackson will continue to serve until reappointed or replaced as provided by Chapter 6 of the Texas Water Code.

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OFFICIAL STATEMENT

RELATING TO:

\$92,920,000 STATE OF TEXAS GENERAL OBLIGATION BONDS,

\$43,715,000
State of Texas
Water Financial Assistance Bonds,
Series 2015E (Economically
Distressed Areas Program)

\$37,790,000
State of Texas
Water Financial Assistance Bonds,
Series 2015F

\$11,415,000
State of Texas
Water Financial Assistance Bonds,
Taxable Series 2015G

INTRODUCTION

The general obligation bonds of the State of Texas (the "State") offered by the Texas Water Development Board (the "Board" or "TWDB") hereby, acting on behalf of the State, are the State of Texas Water Financial Assistance Bonds, Series 2015E (Economically Distressed Areas Program) (the "Series 2015E Bonds"), the State of Texas Water Financial Assistance Bonds, Series 2015F (the "Series 2015F Bonds") and the State of Texas Water Financial Assistance Bonds, Taxable Series 2015G (the "Taxable Series 2015G Bonds" and, together with the Series 2015E Bonds and the Series 2015F Bonds, the "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 hereinafter referred to collectively sometimes as the "Water Assistance Bonds." The Series 2015E Bonds, together with other Water Assistance Bonds heretofore issued or to be issued in the future for the Economically Distressed Areas Program Account of Development Fund II (the "EDAP Account"), are hereinafter referred to sometimes as the "EDAP Bonds." The Series 2015F Bonds and the Taxable Series 2015G Bonds, together with other Water Assistance Bonds heretofore issued or to be issued in the future for the Financial Assistance Account of Development Fund II (the "Financial Assistance Account"), are hereinafter referred to sometimes as the "Financial Assistance Bonds." The Water Assistance Bonds heretofore issued or to be issued in the future for the State Participation Account of Development Fund II (the "State Participation Account"), are hereinafter referred to sometimes as the "State Participation Bonds." No State Participation Bonds are being offered hereby. The debt service schedules for the EDAP Bonds and the Financial Assistance Bonds that will be outstanding upon the issuance of the Bonds are attached hereto as APPENDIX D.

The Series 2015E Bonds and the Series 2015F Bonds, designated and issued as tax-exempt bonds, are hereinafter referred to sometimes as the "Tax-Exempt Bonds." See "TAX MATTERS – TAX-EXEMPT BONDS." The Taxable Series 2015G Bonds, designated and issued as taxable bonds, are hereinafter referred to sometimes as the "Taxable Bonds." See "TAX MATTERS – TAXABLE BONDS."

The Bonds are being issued pursuant to the Resolution (defined herein), the Constitution and laws of the State, including particularly Article III, Section 49-d-8 and Section 49-d-9, Constitution, Subchapter L of Chapter 17 of the Texas Water Code, as amended (the "Act") and Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), in order to, (i) with respect to the Series 2015E Bonds, provide funds for the EDAP Account for EDAP Projects, as defined herein, (ii) with respect to the Series 2015F Bonds and the Taxable Series 2015G Bonds, provide funds for the Financial Assistance Account for Water Assistance Projects, as defined herein and (iii) pay expenses arising in connection with the issuance of the Bonds.

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."

The Program

The Board authorized the issuance of the Bonds pursuant to three separate resolutions, one relating to and authorizing each series of Bonds (the "2015E Resolution," the "2015F Resolution," and the "Taxable 2015G Resolution," respectively, and the "Bond Resolution," collectively) and each adopted on February 25, 2015. The Bond Resolution authorizes the issuance of the Bonds for a maximum aggregate principal amount. The Bond Resolution delegates authority to an Authorized Representative to complete the sale of the Bonds pursuant to the terms of an approval certificate relating to each series of Bonds (collectively, the "Approval Certificate" and together with the Bond Resolution, the "Resolution") and three separate bond purchase agreements each with respect to a series of Bonds (collectively, the "Purchase Agreement") between the Board and the underwriters listed on the cover page hereof (the "Underwriters"). These Approval Certificates were executed by a duly authorized Board official on May 28, 2015. Capitalized terms not otherwise defined herein have the meanings given to said terms in the Resolution. The authority to issue bonds under the terms of the Resolution expires on February 25, 2016.

Pursuant to Section 49-d-8 and the Texas Water Code, the Board has established Development Fund II and the following accounts therein: (i) the EDAP Account; (ii) the Financial Assistance Account; and (iii) the State Participation Account. Section 49-d-8 and the Texas Water Code authorize the Board to issue general obligation bonds to augment such accounts within Development Fund II. Money in the EDAP Account is available to provide financial assistance (in the form of loans or grants) to political subdivisions in economically distressed areas for water supply and water quality enhancement purposes consistent with the provisions of Subsection (b) of Section 49-d-7 of Article III of the Constitution and Subchapter K of Chapter 17 of the Texas Water Code, as amended ("*EDAP Projects*"). Money in the Financial Assistance Account is available (i) to provide financial assistance (in the form of loans) to political subdivisions for water supply, water quality enhancement and flood control purposes and (ii) for transfers to any state revolving fund administered by the Board, for transfers to the Rural Water Assistance Fund, and for transfers to the Water Infrastructure Fund (collectively, "*Water Assistance Projects*"). See "TEXAS WATER DEVELOPMENT BOARD – State Revolving Funds," "– Rural Water Assistance Fund" and "– Water Infrastructure Fund." Money in the State Participation Account is available (i) to fund the development of reservoirs within the State and (ii) to finance regional water and wastewater projects in the State, including projects for the filtration, treatment and transportation of water and wastewater ("*State Participation Projects*").

Under the provisions of Section 49-d-8, State Participation Bonds shall be payable from available money on deposit in the State Participation Account, EDAP Bonds are payable from available money on deposit in the EDAP Account and Financial Assistance Bonds are payable from available money on deposit in the Financial Assistance Account. Accordingly, the Series 2015E Bonds will be payable from available money on deposit in the EDAP Account and the Series 2015F Bonds and Taxable Series 2015G Bonds are payable from available money on deposit in the Financial Assistance Account. To the extent that there is not sufficient money in the State Participation Account to pay the principal of and interest on State Participation Bonds, or in the EDAP Account to pay the principal of and interest on EDAP Bonds, or in the Financial Assistance Account to pay the principal of and interest on Financial Assistance Bonds, including to make payments, if any, required under a Bond Enhancement Agreement (defined herein) with respect to principal of, and interest on, any such bonds, the Constitution appropriates an amount sufficient to make such payments out of the first money coming into the State Treasury in each fiscal year, which money is not otherwise appropriated by the Constitution. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – General Obligation Pledge." Currently, there are no Bond Enhancement Agreements executed and in effect in support of Water Assistance Bonds, and the Board does not intend, but reserves the right, to execute and deliver a Bond Enhancement Agreement in support of the Bonds.

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*"), a requirement that the Board met in 2008. Since 2007, the Texas Legislature (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 has issued Financial Assistance Bonds in the aggregate principal amount of \$871,720,000 for the purpose of providing funds for the Water Infrastructure Fund, of which \$706,605,000 in principal was outstanding as of February 28, 2015.

PLAN OF FINANCE

Background

Section 49-d-9 authorizes the Board to issue additional general obligation bonds in an amount not to exceed \$2 billion. In an effort to aggregate the voted authority of various constitutional amendments, Section 49-d-8 provides 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*") may be issued as Water Assistance Bonds to augment Development Fund II. In November 2007, Section 49-d-10 was added to Article III of the Constitution, authorizing the issuance of up to \$250 million in additional general obligation bonds to augment the EDAP Account. 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. As of February 28, 2015, there remained approximately \$512,445,011 of authorized but unissued general obligation bonds available for issuance by the Board pursuant to the Development Fund I Constitutional Provisions, Section 49-d-9, and Section 49-d-10 and no general obligation bonds have been issued pursuant to Section 49-d-11. Accordingly, inclusive of the authority provided by Section 49-d-11, as of February 28, 2015, there remains approximately \$6,512,445,011 of authorized but unissued general obligation bonds available for issuance by the Board. See "TEXAS WATER DEVELOPMENT BOARD – Development Fund II."

The Series 2015E Bonds are being issued pursuant to the constitutional authority provided by Section 49-d-8 and Section 49-d-10 as EDAP Bonds. The Series 2015F Bonds and the Taxable Series 2015G Bonds are being issued pursuant to the constitutional authority provided by Section 49-d-8 and Section 49-d-9 as Financial Assistance Bonds.

The Bonds

The 2015E Resolution authorizes the issuance of the Series 2015E Bonds to provide funds for the EDAP Account for EDAP Projects, and to pay the costs of issuance of the Series 2015E Bonds. The maximum amount of Series 2015E Bonds that may be sold for this purpose is \$50,000,000 under the terms of the 2015E Resolution.

The 2015F Resolution authorizes the issuance of the Series 2015F Bonds to provide funds for the Financial Assistance Account for Water Assistance Projects, and to pay the costs of issuance of the Series 2015F Bonds. The maximum amount of Series 2015F Bonds that may be sold for this purpose is \$45,500,000 under the terms of the 2015F Resolution.

The Taxable 2015G Resolution authorizes the issuance of the Taxable Series 2015G Bonds to provide funds for the Financial Assistance Account for Water Assistance Projects and to pay the costs of issuance of the Taxable Series 2015G Bonds. The maximum amount of the Taxable Series 2015G Bonds that may be sold for this purpose is \$12,750,000 under the terms of the Taxable 2015G Resolution.

Anticipated Issuance of Additional Bonds

As of February 28, 2015, there remains approximately \$6,512,445,011 of authorized but unissued general obligation bonds available for issuance by the Board. See "PLAN OF FINANCE – Background." The Board intends to issue additional authorized but unissued general obligation bonds within the next twelve months based on requests for funding from eligible borrowers with projects that meet the programmatic, legal and credit requirements for the respective Board loan programs.

The Board anticipates issuing additional State of Texas Water Financial Assistance Bonds, Series 2015D (the "*Series 2015D Bonds*") in the approximate aggregate principal amount of \$211,000,000 on or about the month of

August, 2015. The Series 2015D Bonds will (i) augment the funding of the Financial Assistance Account for Water Assistance Projects, as defined herein and (ii) pay expenses arising from the issuance of the Series 2015D Bonds.

Various State entities, including the Board, have issued and are authorized to issue general obligation bonds or other obligations of the State. In addition, by constitutional amendment, the voters of the State may authorize the issuance of additional general obligation bonds or other indebtedness for which the full faith, credit and taxing power of the State are pledged. See "APPENDIX A - The State of Texas."

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Series 2015E Bonds will be applied approximately as follows:

Sources	
Principal Amount	\$ 43,715,000.00
Premium	6,279,935.85
Total	<u>\$ 49,994,935.85</u>
Uses	
Deposit to the EDAP Account	\$ 49,676,811.13
Costs of Issuance	161,367.25
Underwriters' Discount	156,757.47
Total	<u>\$ 49,994,935.85</u>

The proceeds from the sale of the Series 2015F Bonds will be applied approximately as follows:

Sources	
Principal Amount	\$ 37,790,000.00
Premium	4,891,457.35
Total	<u>\$ 42,681,457.35</u>
Uses	
Deposit to the Financial Assistance Account	\$ 42,424,389.00
Costs of Issuance and Rounding Amount	139,718.64
Underwriters' Discount	117,349.71
Total	<u>\$ 42,681,457.35</u>

The proceeds from the sale of the Taxable Series 2015G Bonds will be applied approximately as follows:

Sources	
Principal Amount	\$ 11,415,000.00
Premium	0.00
Total	<u>\$ 11,415,000.00</u>
Uses	
Deposit to the Financial Assistance Account	\$ 11,325,000.00
Costs of Issuance and Rounding Amount	45,342.82
Underwriters' Discount	44,657.18
Total	<u>\$ 11,415,000.00</u>

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 per annum rate for maturity as shown on pages i through iii 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 August 1, 2015, and on each February 1 and August 1 thereafter until maturity or prior redemption. The Bonds mature on August 1 in the years and in the principal amounts set forth on pages i through iii hereof.

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

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

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

Redemption Provisions

Optional Redemption. The Series 2015E 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.

The Series 2015F Bonds are not subject to redemption, at the option of the Board, prior to stated maturity.

The Taxable Series 2015G Bonds having stated maturities on and after August 1, 2025, are subject to redemption at the option of the Board, in whole or from time to time in part on August 1, 2024 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

Mandatory Redemption. The Taxable Series 2015G Bonds maturing on August 1, 2030 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to maturity. The Term Bonds must be redeemed by the Paying Agent/Registrar in part prior to maturity at the redemption price of par plus interest accrued to the date of redemption, and without premium, on the date and in the principal amount as set forth in the following schedule:

Term Bonds	
Maturing August 1, 2030	
Redemption Date	Principal Amount Redeemed (\$)
8/1/2028	860,000
8/1/2029	895,000
8/1/2030*	925,000
*Final Maturity	

To the extent that Term Bonds required to be redeemed on any such redemption date have been previously purchased for cancellation or redeemed other than pursuant to a sinking fund redemption payment, each principal amount for such Term Bonds remaining outstanding shall be reduced in the manner determined by the Board by notice in the manner described under the subcaption below entitled "Notice of Redemption."

Extraordinary Mandatory Redemption of Tax-Exempt Bonds.

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 Tax-Exempt 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:

(a) 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

(b) 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 Tax-Exempt Bonds a portion of the Tax-Exempt Bond proceeds will be held by the Board and applied from time to time after the issuance of the Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt Bonds are held by the Board and are not expended within such one-year or three-year periods, any unexpended proceeds will be used to redeem Tax-Exempt Bonds, as further described below.

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.

<u>Bond Series</u>	<u>Par Amount</u>	<u>Delivery Date</u>	<u>Attainment of 1-year/30% requirement</u>	<u>Attainment of 3-year/95% requirement</u>
2008A (Water Infrastructure Fund)	\$112,920,000	5/22/08	7/24/08	3/30/09
2009A (Water Infrastructure Fund)	\$144,995,000	3/10/09	3/30/09	4/29/09
2009B (Water Infrastructure Fund)	\$157,240,000	5/28/09	9/22/09	1/15/10

<u>Bond Series</u>	<u>Par Amount</u>	<u>Delivery Date</u>	<u>Attainment of 1-year/30% requirement</u>	<u>Attainment of 3-year/95% requirement</u>
2009C-1	\$225,385,000	6/30/09	7/6/09	3/24/11
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	1/11/11
2010B (Water Infrastructure Fund)	\$143,225,000	5/11/10	6/22/10	12/2/10
2010C (State Participation Program)	\$42,280,000	5/11/10	5/28/10	5/28/10
2011A (Water Infrastructure Fund)	\$129,540,000	6/14/11	8/23/11	8/23/11
2011B	\$92,255,000	10/4/11	12/14/11	6/8/12
2012A (Water Infrastructure Fund)	\$39,930,000	2/7/12	3/29/12	4/4/12
2012B (Economically Distressed Areas Program)	\$14,955,000	2/7/12	9/11/12	11/1/12
2012C	\$149,645,000	4/10/12	6/8/12	6/8/12
2012F (Economically Distressed Areas Program)	\$29,385,000	9/5/12	11/1/12	3/5/13
2012G	\$156,065,000	10/2/12	11/21/12	11/21/12
2013A (Water Infrastructure Fund)	\$42,470,000	2/12/13	5/7/13	5/7/13
2013B	\$56,515,000	8/1/13	9/25/13	12/18/14

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

Extraordinary Mandatory Redemption. The Tax-Exempt Bonds maturing on and after August 1, 2017 are subject to extraordinary mandatory redemption prior to their scheduled maturities on August 23, 2016 (the "*One-Year Extraordinary Mandatory Redemption*"), in an amount equal to the Computation Amount (as hereinafter defined) applicable to the One-Year Computation Period for the Tax-Exempt Bonds, plus accrued interest to the date of such extraordinary redemption at the redemption prices set forth below (approximately 102% of the accreted value or amortized issue price for each maturity of the Tax-Exempt Bonds), expressed as percentages of the principal amount of each maturity of the Tax-Exempt Bonds so redeemed. The Tax-Exempt Bonds maturing on and after August 1, 2019 are subject to extraordinary mandatory redemption prior to their scheduled maturities on August 23, 2018 (the "*Three-Year Extraordinary Mandatory Redemption*"), in an amount equal to the Computation Amount applicable to the Three-Year Computation Period for the Tax-Exempt Bonds, plus accrued interest to the date of such extraordinary redemption at the redemption prices set forth below (approximately 102% of the accreted value or amortized issue price for each maturity of the Tax-Exempt Bonds), expressed as percentages of the principal amount of each maturity of the Tax-Exempt Bonds so redeemed.

The Series 2015E Bonds
Redemption Price %

<u>Maturity (August 1)</u>	<u>on August 23, 2016</u>	<u>on August 23, 2018</u>	<u>CUSIP</u>
2017	105.998	***	882723WZ8
2018	109.426	***	882723XA2
2019	112.411	105.373	882723XB0
2020	114.937	108.472	882723XC8
2021	116.682	110.904	882723XD6
2022	118.495	113.165	882723XE4
2023	119.997	115.092	882723XF1
2024	120.983	116.535	882723XG9
2025	122.131	118.009	882723XH7
2026	120.786	116.960	882723XJ3
2027	119.811	116.198	882723XK0

<u>Maturity (August 1)</u>	<u>on August 23, 2016</u>	<u>on August 23, 2018</u>	<u>CUSIP</u>
2028	118.933	115.510	882723XL8
2029	118.322	115.032	882723XM6
2030	117.716	114.555	882723XN4
2031	117.199	114.149	882723XP9
2032	116.770	113.812	882723XQ7
2033	116.428	113.542	882723XR5
2034	116.088	113.274	882723XS3
2035	115.749	113.007	882723XT1

The Series 2015F Bonds

<u>Maturity (August 1)</u>	<u>Redemption Price %</u>		<u>CUSIP</u>
	<u>on August 23, 2016</u>	<u>on August 23, 2018</u>	
2017	105.998	***	882723XW4
2018	109.426	***	882723XX2
2019	112.411	105.373	882723XY0
2020	114.937	108.472	882723XZ7
2021	116.682	110.904	882723YA1
2022	118.495	113.165	882723YB9
2023	119.997	115.092	882723YC7
2024	120.983	116.535	882723YD5

The 2015E Resolution and the 2015F Resolution define (i) "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 Tax-Exempt Bonds of a particular series 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 Tax-Exempt Bonds of a particular series 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); (ii) "One-Year Computation Period" as the period ending on the last day of the one year period commencing on the Date of Delivery; (iii) "Three-Year Computation Period" as the period ending on the last day of the three year period commencing on the Date of Delivery; and (iv) "Date of Delivery" as the date of delivery of the Tax-Exempt Bonds to the Underwriters thereof.

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

The foregoing notwithstanding, the Tax-Exempt Bonds of a particular series 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 such Tax-Exempt 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 Tax-Exempt Bonds that are subject to such redemption will be selected on a "Pro Rata Basis;" 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 Tax-

Exempt Bonds of a particular series 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 Tax-Exempt Bonds of such maturity then outstanding bears to the aggregate principal amount of Tax-Exempt Bonds of such series then outstanding and subject to redemption.

Selection of Tax-Exempt Bonds to be Redeemed

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

Selection of Taxable Bonds to be Redeemed

If the Taxable Bonds are no longer registered to DTC or its nominee, any redemption of less than all of a maturity of the Taxable Bonds shall be effected by the Paying Agent/Registrar among owners on a pro-rata basis subject to minimum authorized denominations. The particular Taxable Bonds or portions thereof to be redeemed shall be determined by the Paying Agent/Registrar, using such method as it shall deem fair and appropriate. If the Taxable Bonds are registered in book-entry only form and so long as DTC, or a successor securities depository, is the sole registered owner of such Taxable Bonds and if less than all of the Taxable Bonds of a maturity are called for prior redemption, the particular Taxable Bonds or portions thereof to be redeemed shall be selected on a "Pro Rata Pass-Through Distribution of Principal" basis in accordance with DTC procedures. However, so long as the Taxable Bonds are registered in book-entry form, the selection for redemption of such Taxable Bonds shall be made in accordance with the operational arrangements of DTC then in effect. It is the Board's intent that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the Board and the Beneficial Owners be made on a "Pro Rata Pass-Through Distribution of Principal" basis as described above. However, the Board can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such basis. If the DTC operational arrangements do not allow for the redemption of the Taxable Bonds on a Pro Rata Pass-Through Distribution of Principal basis as discussed above, then the Taxable Bonds will be selected for redemption in accordance with DTC procedures by lot. **The Board can provide no assurance that DTC, its participants or any other intermediaries, will allocate redemptions of the Taxable Bonds of a particular maturity among the Beneficial Owners on such a proportional basis.**

Notice of Redemption

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

SHOULD NOTICE TO CALL A PARTICULAR BOND 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 BOND SO CALLED FOR REDEMPTION, NO SUCH BONDS WILL BE REDEEMED ON THE DATE FIXED FOR REDEMPTION, AND THE NOTICE OF REDEMPTION FOR SUCH BONDS WILL BE NULL AND VOID. SUCH OCCURRENCE SHALL NOT RESULT IN DEFAULT OF THE BOARD'S PAYMENT OBLIGATIONS ON SUCH BONDS AS PROVIDED IN THE RESOLUTION.

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

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar"). In the Resolution, the Board retains the right to replace the Paying Agent/Registrar. The Board covenants in the Resolution to maintain and provide a Paying Agent/Registrar for the Bonds at all times while the Bonds are outstanding and any successor Paying Agent/Registrar is required to be a competent and legally qualified bank or trust company which must 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 will also give the address of the new Paying Agent/Registrar.

Transfer, Exchange and Registration

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

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

Limitation on Transfer of Bonds Called for Redemption

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

Bond so selected for redemption of an appropriate legend to the effect that such new Bond has been so selected for redemption.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General Obligation Pledge

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

For a reference to information describing the financial condition of the State, see APPENDIX A attached hereto.

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

Section 49-d-8 provides that if there is not enough money in the State Participation Account, EDAP Account or Financial Assistance 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 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 Public Accounts of the State (the "*Comptroller*") of such insufficiency and requires the Comptroller to transfer to the applicable Water Assistance Account the first money coming into the State Treasury not otherwise appropriated by the Constitution in amounts sufficient to pay such obligations. The Resolution establishes procedures by which the Board will seek transfers from the Comptroller, as further described below.

Pursuant to Section 49-j of Article III of the Constitution (adopted on November 4, 1997), the Legislature is prohibited from authorizing additional State debt payable from the State's General Revenue Fund if the resulting annual debt service exceeds five percent of an amount equal to the average amount of General Revenue Fund revenues for the three preceding fiscal years, excluding revenues constitutionally dedicated for purposes other than payment of debt service. For purposes of such limitation, "State debt payable from the State's General Revenue Fund" does not include debt that, although backed by the full faith or credit of the State, are reasonably expected to be paid from other revenue sources and that are not expected to create a general revenue draw. The Board has made a finding that the Series 2015F Bonds and the Taxable Series 2015G Bonds are reasonably expected to be paid from other revenue sources and are not expected to create a general revenue draw. Appropriations have been made by the Legislature to pay debt service on the EDAP Bonds (including the Series 2015E Bonds). Notwithstanding the limitation on the ability of the Legislature to authorize additional State debt, the Bonds offered by this Official Statement are general obligations of the State, as described above, and are payable from the sources described under this heading. See "APPENDIX A – The State of Texas."

Perfection of Security

Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the security granted by the Board under the Resolution, and such pledge is therefore valid, effective and perfected. If State law is amended at any time while any Bonds are outstanding and unpaid such that the pledge of the security granted by the Board under the Resolution is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce

Code, then in order to preserve for the owners of Bonds the perfection of the security interest in said pledge, the Board has agreed to take such measures as it determines are reasonable and necessary under State law to comply with the provisions of Chapter 9, Texas Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Other Sources of Payment

Section 49-d-8 and the Texas Water Code provide that the State Participation Account, the EDAP Account, and the Financial Assistance Account are separate and distinct from one another and that each such account is a source of payment for Water Assistance Bonds issued with respect to that account. The Board has also established (i) the State Participation Bond Payment Account (with respect to the State Participation Bonds) (the "*State Participation Bond Payment Account*"), (ii) the Economically Distressed Areas Program Financial Assistance Bond Payment Account (with respect to the EDAP Bonds) (the "*EDAP Bond Payment Account*"), and (iii) the Financial Assistance Bond Payment Account (with respect to the Financial Assistance Bonds) (the "*Financial Assistance Bond Payment Account*").

Accordingly, (i) the State Participation Account and the State Participation Bond Payment Account constitute sources of payment only for the State Participation Bonds (none of which are being issued pursuant to this Official Statement), (ii) the EDAP Account and the EDAP Financial Assistance Bond Payment Account constitute a source of payment only for the EDAP Bonds, including the Series 2015E 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 2015F Bonds and Taxable Series 2015G Bonds, as described in this Official Statement.

For purposes of the discussion below, the following capitalized term has the following meaning:

"*Money and Assets Attributable to Bonds*" means:

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

EDAP Bonds

Bonds heretofore issued to provide financial assistance pursuant to the Board's Economically Distressed Areas Program have resulted in draws on the State's general revenue funds. The Board currently anticipates that the EDAP Bonds (including the Series 2015E Bonds) will result in future draws on the State's general revenue funds. See "PLAN OF FINANCE – Background." Amounts specifically appropriated by the Legislature in support of debt service on EDAP Bonds are not limitations on general revenue draws, if additional funds are needed during the biennium, since the Constitution itself provides for an appropriation of money needed for the payment of this debt service. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – General Obligation Pledge."

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

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

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

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, 2014. 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 when due 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 of or interest on such EDAP Bonds.

EDAP Bonds Flow of Funds. While and so long as any EDAP Bonds are outstanding, 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 moneys 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 Account for transfer to 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 of 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 moneys 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 of, 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 of 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 as provided above, other available moneys remaining in the EDAP Account may, at the direction of the Board, be used for EDAP Projects and all of the purposes for which the Board may expend money in the EDAP Account under Section 49-d-8. See "TEXAS WATER DEVELOPMENT BOARD – Development Fund II."

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

such proceeds or prepayments so identified in said resolution to the EDAP Bond Payment Account. Proceeds from the Series 2015E Bonds shall be deposited to the EDAP Bond Payment Account to the extent specified in the Approval Certificate.

Financial Assistance Bonds

As a practice, the Board's policy historically has been that debt service on Financial Assistance Bonds (including the Series 2015F Bonds and the Taxable Series 2015G Bonds) be self-supporting, and has expected that program revenues flowing into the Financial Assistance Account will be sufficient to meet debt service requirements on outstanding Financial Assistance Bonds. No assurance, however, can be given that subsequent events, including, without limitation, changes in relevant constitutional or statutory provisions, will not cause the Board to change such policy.

The foregoing notwithstanding, the Board has previously issued Financial Assistance Bonds to augment the Water Infrastructure Fund. The Board anticipates that the Legislature will continue to appropriate general revenues of the State to support the payment of debt service on Water Infrastructure Bonds until such time that program assets and revenues are sufficient to meet debt service requirements. See "TEXAS WATER DEVELOPMENT BOARD – Water Infrastructure Fund." The Series 2015F Bonds and the Taxable Series 2015G Bonds are not issued to provide funds for the Water Infrastructure Fund.

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

- (i) Money and Assets Attributable to bonds 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, 2014. 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 when due 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 of or interest on such Financial Assistance Bonds. In the case of Water Infrastructure Bonds, appropriations from the State's General Revenue Fund or moneys received from repayments of loans made from the Water Infrastructure Fund shall be used to pay debt service on Water Infrastructure Bonds, such moneys will be deposited to the credit of an account within the Water Infrastructure Fund (the "*Water Infrastructure Fund Bond Payment Account*") to pay debt service on Water Infrastructure Fund Bonds. See "TEXAS WATER DEVELOPMENT BOARD – Water Infrastructure Fund."

Financial Assistance Bonds Flow of Funds. While and so long as any Financial Assistance Bonds are outstanding, on or before the date interest or interest and principal on the Financial Assistance Bonds is scheduled to become due and payable, the Board shall cause to be transferred, from moneys available for such purpose in the Financial Assistance Account or, in the case of repayments of principal and interest from loans made to Rural Political Subdivisions from the Rural Water Assistance Fund, available in the Rural Water Assistance Fund (see "TEXAS WATER DEVELOPMENT BOARD – Rural Water Assistance Fund" herein), 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 of 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 moneys 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 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 of or interest on such Financial Assistance Bonds, the Executive Administrator or the designee thereof is required to request the Comptroller to deposit no later than three days prior to such interest or principal payment date, or as soon thereafter as sufficient money has been received in the State Treasury, in the Financial Assistance Bond Payment Account out of the first moneys 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 of, 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 of or interest on such Financial Assistance Bonds, and to pay all collection and exchange charges in connection therewith.

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

Notwithstanding the foregoing, money in the Financial Assistance Account representing proceeds from Financial Assistance Bonds, prepayments of financial assistance provided from the Financial Assistance Account or proceeds from the sale or other disposition of the Board's rights to receive repayments of such financial assistance are not available for transfer to the Financial Assistance Bond Payment Account unless by resolution the Board specifically authorizing the transfer of any such proceeds or prepayments so identified in said resolution to the Financial Assistance Bond Payment Account. Proceeds from the Series 2015F Bonds and Taxable Series 2015G Bonds shall be deposited to the Financial Assistance Bond Payment Account to the extent specified in the Approval Certificate.

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, however, have resulted in draws on the State's general revenue funds, and the issuance of additional State Participation Bonds in the future may result in draws on the State's general revenue funds. The Board currently anticipates that program assets and revenues will be sufficient to meet debt service requirements on the currently outstanding State Participation Bonds. Amounts specifically appropriated by the Legislature in support of debt service on State Participation Bonds are not limitations on general revenue draws, if additional funds are needed during the biennium, since the Constitution itself provides for an appropriation of money needed for the payment of this debt service. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – General Obligation Pledge."

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

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

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 of or interest on such State Participation Bonds.

State Participation Bonds Flow of Funds. While and so long as any State Participation Bonds are outstanding, on or before the date interest or interest and principal on the State Participation Bonds is scheduled to become due and payable, the Board shall 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 of 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 moneys 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 of 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 moneys 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 of, premium, if any, and interest to mature and come due on the State Participation Bonds on such interest or principal payment date, or to make any payments by the Board, to the extent determined by the Board, under any Bond Enhancement Agreement with respect to principal or interest on such State Participation Bonds, and to pay all collection and exchange charges in connection therewith.

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

Notwithstanding the foregoing, money in the State Participation Account representing proceeds from State Participation Bonds, prepayments of financial assistance provided from the State Participation Account or proceeds from the sale or other disposition of the Board's rights to receive repayments of such financial

assistance are not available for transfer to the State Participation Bond Payment Account unless by resolution the Board specifically authorizes the transfer of any such proceeds or prepayments so identified in said resolution to the State Participation Bond Payment Account.

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.

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.

Defeasance

The Resolution provides that any Bond issued thereunder will be deemed paid and no longer outstanding 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), has 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 have become due and payable. As used above, "*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 Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board adopts or approves proceedings authorizing the issuance of refunding bonds or, if such defeasance is not in connection with the issuance of refunding bonds, on the date the Board provides for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under the then applicable laws of the State. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any of the other Defeasance Securities will be maintained at any particular rating category.

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

Amendment of Resolution With Consent of Registered Owners

The registered owners aggregating in principal amount 51% of the aggregate principal amount of the Bonds of a particular series (not including any Bonds held by or for the account of the Board) at the time outstanding shall have the right from time to time to approve any amendment of the Resolution authorizing the issuance of the Bonds

of such series which may be deemed necessary or desirable by the Board; *provided, however*, that nothing therein will permit or be construed to permit the amendment of the terms and conditions contained in the Resolution or in the Bonds so as to:

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

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

Amendment of Resolution Without Consent of Registered Owners

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

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

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

- (i) the administration of Development Fund II;
- (ii) the accounts within Development Fund II;
- (iii) the deposit or application of moneys received by the Board as repayments of loans to political subdivisions and interest on those loans, or proceeds from the sale, transfer or lease of facilities held for any account within Development Fund II;
- (iv) the use of the proceeds of the Bonds;

- (v) the rights, duties and obligations of the Comptroller as specified in the Resolution;
- (vi) the procedure for payment of the Bonds;
- (vii) the payment of expenses of administering Development Fund II and other authorized expenses of the Board; or
- (viii) the administration of the Water Infrastructure Fund;

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

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

If the Board so amends the Resolution without the consent of registered owners as provided in this subsection, it must 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 (i) through (iii) above have been satisfied, and recite the effective date of such amendment. Such notice must be published within 30 days of the effective date of such amendment. Such notice must 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.

TEXAS WATER DEVELOPMENT BOARD

Development Fund I

The Board is an agency of the State and was created by constitutional amendment adopted in 1957. It was initially given authorization to issue as general obligations of the State \$200,000,000 in bonds ("*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.

Since 1957, the Legislature and the voters of the State have approved constitutional amendments increasing the Board's bond issuance authority and authorized funding purposes, such that under the Development Fund I Constitutional Provisions, the Board is authorized to issue up to \$2.48 billion in Water Development Bonds to augment Development Fund I. Pursuant to such authorization, the Board has issued \$1,467,190,000 of Water Development Bonds. All of the liabilities and assets formerly held in the Texas Water Development Fund ("*Development Fund I*") have been transferred to Development Fund II. Water Assistance Bonds issued by the Board are not included in these totals. Since Section 49-d-8 consolidates the separate bond issuance authorities contained in the Development Fund I

Constitutional Provisions and provides a more efficient cash flow for Development Fund II than exists for Development Fund I, the Board does not currently intend, but reserves the right, to issue additional Water Development Bonds pursuant to the Development Fund I Constitutional Provisions.

Development Fund II

Development Fund II was established pursuant to Section 49-d-8, which was approved by the voters of the State on November 4, 1997. Development Fund II is a fund in the State Treasury separate and legally distinct from Development Fund I. The Board has established the following major accounts within Development Fund II: the EDAP Account, the Financial Assistance Account, and the State Participation Account. The Board has also established the EDAP Bond Payment Account, the Financial Assistance Bond Payment Account, the State Participation Bond Payment Account, and other accounts (including specifically the Water Infrastructure Fund Bond Payment Account) necessary for the proper administration of Development Fund II, as determined by the Board. The Board has the authority to create additional accounts as may be needed to administer its programs.

Money on deposit in the EDAP Account may be used for EDAP Projects; money on deposit in the Financial Assistance Account may be used for Water Assistance Projects; and money on deposit in the State Participation Account may be used for State Participation Projects. In addition, 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. Specifically, money in (i) the EDAP Account can be used to pay the expenses of the Board in connection with the issuance of EDAP Bonds for such account and the administration of such account and for the payment of debt service on EDAP Bonds issued for such account, including payments, if any, required under a Bond Enhancement Agreement with respect to principal of and interest on such EDAP Bonds, (ii) the Financial Assistance Account can be used to pay the expenses of the Board in connection with the issuance of Financial Assistance Bonds for such account and the administration of such account and for the payment of debt service on Financial Assistance Bonds issued for such account, including payments, if any, required under a Bond Enhancement Agreement with respect to principal of and interest on such Financial Assistance Bonds, and (iii) the State Participation Account can be used to pay the expenses of the Board in connection with the issuance of State Participation Bonds for such account and the administration of such account and for the payment of debt service on State Participation Bonds issued for such account, including payments, if any, required under a Bond Enhancement Agreement with respect to principal of and interest on such State Participation Bonds. For more detailed descriptions of the EDAP Account, the State Participation Account and the Financial Assistance Account, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." Section 49-d-8 provides that Development Fund II may not be used to finance or aid a project that contemplates or results in the removal from the basin of origin of any surface water necessary to supply the reasonably foreseeable future water requirements for the next ensuing 50-year period within the river basin of origin, except on a temporary, interim basis.

Section 49-d-9, which was approved by the voters of the State on November 6, 2001, 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. In addition, Section 49-d-8 provides that bonds otherwise authorized by the Development Fund I Constitutional Provisions can be issued as Water Assistance Bonds, as determined by the Board, to augment Development Fund II. See "PLAN OF FINANCE – Background." 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 issued EDAP Bonds (including Water Development Bonds previously issued pursuant to subsection (b) of Section 49-d-7 of the Constitution to provide financial assistance pursuant to the Board's Economically Distressed Areas Program). Also, 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. As of February 28, 2015, approximately \$348,024,129 of the aggregate constitutional authorization under Section 49-d-7 and Section 49-d-10 of the Constitution for the issuance of EDAP Bonds has been dedicated.

Section 49-d-11, which was approved by the voters of the State on November 8, 2011, authorizes the Board to issue additional general obligation bonds for one or more accounts of Development Fund II in amounts such that the aggregate principal amount of bonds issued under Section 49-d-11 that are outstanding at any time does not exceed \$6 billion. The effect of the provisions of Section 49-d-11 is that, unlike bonds issued under authority of the Development Fund I Constitutional Provisions, Section 49-d-9 and Section 49-d-10, which provides that the authority

to issue bonds is extinguished once bonds are issued, once bonds issued under authority of Section 49-d-11 are no longer outstanding by their terms, the authority under Section 49-d-11 to issue bonds in a like principal amount is restored. See "INTRODUCTION – The Program."

As of February 28, 2015, approximately \$512,445,011 aggregate principal amount of authorized but unissued general obligation bonds remained available for issuance by the Board pursuant to the Development Fund I Constitutional Provisions, Section 49-d-9, and Section 49-d-10. No bonds have been issued pursuant to the authority of Section 49-d-11. Accordingly, inclusive of the authority provided by Section 49-d-11, as of February 28, 2015, approximately \$6,512,445,011 of authorized but unissued general obligation bonds will remain available for issuance by the Board. The Bonds are being issued pursuant to the authorization found in Section 49-d-8 and Section 49-d-9.

Water Infrastructure Fund

In 2001, the Legislature added provisions to Chapter 15 of the Texas Water Code creating the Water Infrastructure Fund in furtherance of the public purpose of conserving and developing the water resources of the State. The Water Infrastructure Fund may be used (i) to make loans to political subdivisions for projects to conserve, mitigate, convey and develop water resources of the State ("*Conservation Projects*"); (ii) to make grants, low interest loans, or zero interest loans to political subdivisions for Conservation Projects to serve areas outside metropolitan statistical areas in order to ensure that the projects are implemented, or for Conservation Projects to serve economically distressed areas; (iii) to make loans for planning and design costs, permitting costs and other costs associated with State or federal regulatory activities with respect to Conservation Projects; (iv) as a source of revenue or security for the payment of principal and interest on bonds issued by the Board if the proceeds of the sale of such bonds will be deposited in the Water Infrastructure Fund; and (v) to pay the necessary and reasonable expenses of the Board in administering the Water Infrastructure Fund. In 2003, the aforementioned provisions were designated within Chapter 15 of the Texas Water Code as Subchapter Q.

Applications submitted by eligible political subdivisions for funding projects from the Water Infrastructure Fund are prioritized by the Board's Executive Administrator, on the basis of the following criteria: demonstrated significant water conservation savings or significant water conservation savings by completing the proposed project; need for the proposed project, as identified in the State or regional water plan; and project results in a new, usable water supply.

As of February 28, 2015, the Board has issued Financial Assistance Bonds in the aggregate principal amount of \$871,720,000 for the purpose of providing funds for the Water Infrastructure Fund, of which \$706,605,000 in principal was outstanding. See "PLAN OF FINANCE – Background."

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, specifically for the uses described above, as listed in Section 15.974, Texas Water Code, as amended. Subchapter Q further provides that the Water Infrastructure Fund may be used as a source of revenue for the repayment of debt service on Financial Assistance Bonds, the proceeds of which have been deposited into Water Infrastructure Fund.

Rural Water Assistance Fund

Chapter 15, Subchapter R, of the Texas Water Code authorizes and governs the Rural Water Assistance Fund, which is a special fund in the State Treasury. The Rural Water Assistance Fund may be used, among other purposes, to (i) provide low interest loans to Rural Political Subdivisions (as defined below) for water or water related projects and for water quality enhancement projects, including the construction of infrastructure facilities for wholesale or retail water and sewer service, desalination projects, the purchase or lease of well water fields; the construction of infrastructure facilities for wholesale purchase or lease of rights to produce groundwater; onsite or wetland wastewater treatment facilities; and interim financing of construction projects, (ii) water projects in the State Water Plan (as defined below) or regional water plan or (iii) enable a Rural Political Subdivision to obtain water or wastewater service supplied by larger political subdivisions or to finance the consolidation or regionalization of neighboring political subdivisions, or both. The Rural Water Assistance Fund may also be used to (i) finance an outreach and technical assistance program to assist Rural Political Subdivisions in obtaining assistance through the Rural Water Assistance

Fund and (ii) buy down interest rates on loans or provide grants to Rural Political Subdivisions. A "*Rural Political Subdivision*" is a nonprofit water supply or sewer service corporation, district, or municipality with a service area of 10,000 or less in population; or that otherwise qualifies for financing from a federal agency; or a county in which no urban area exceeds 50,000 in population.

The Board may direct the Comptroller to transfer amounts from the Financial Assistance Account to the Rural Water Assistance Fund to provide financial assistance under the Texas Water Code for the purposes provided in Subchapter R, specifically for the uses described above, as listed in Section 15.994, Texas Water Code, as amended. Subchapter R further provides that the Rural Water Assistance Fund may be used as a source of revenue for the repayment of debt service on Financial Assistance Bonds, the proceeds of which have been deposited into the Rural Water Assistance Fund.

Texas Agricultural Water Conservation Bond Program

Article III, Section 50-d of the Constitution (adopted in 1985) authorizes the Board to issue \$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*"). Under such authorization, the Board has issued to date \$35,160,000 in Texas Agricultural Water Conservation Bonds. Currently, there are no Agricultural Water Conservation Bonds outstanding. Texas Agricultural Water Conservation Bonds in the amount of \$164,840,000 remain authorized but unissued.

Money in the Agriculture Fund may be used to provide grants to State agencies to fund conservation programs or conservation projects, provide grants or loans to certain political subdivisions for conservation programs or conservation projects, provide linked deposits to certain financial institutions for loans to certain entities and individuals for conservation projects, pay for the Board's conservation programs, pay costs of issuance for and debt service due on Texas Agricultural Water Conservation Bonds, and to pay the Board's related administrative expenses. Conservation programs, certain costs of which may be financed from the Agriculture Fund, include: (a) agricultural water conservation technical assistance programs; (b) research, demonstration, technology transfer, or educational programs relating to agricultural water use and conservation; (c) precipitation enhancement programs; and (d) any other agricultural water conservation program defined by Board rule. Conservation projects, certain costs of which may be financed from the Agriculture Fund, include projects that: (a) improve water use efficiency; (b) prepare irrigated land for conversion to dry land conditions; (c) prepare dry land for more efficient use of precipitation; (d) purchase and fund the acquisition and installation of devices on public or private property to indicate the amount of water withdrawn for irrigation; (e) prepare and maintain land to be used for brush control activities; and (f) implement any other agricultural water conservation project defined by Board rule.

Revenue Bonds

The Board is authorized to issue an unlimited amount of revenue bonds to fund certain eligible projects. The Board has the authority to sell revenue bonds for the following purposes: (1) to finance the construction of water and wastewater projects of political subdivisions and nonprofit water supply corporations; (2) to provide interim financing to political subdivisions which are also receiving long term financing from the Board; (3) to finance projects of nonprofit water supply corporations; (4) to provide the state matching funds for federal funds provided to the State Revolving Fund (defined below), the DWSRF (defined below), and any additional State revolving fund hereafter established by the Board to provide financial assistance to political subdivisions for public works in accordance with a federal capitalization grant program; and (5) to finance water and sewer projects in economically distressed areas to the extent such assistance will not adversely affect the current or future integrity of financial assistance programs of the Board. The Board's revenue bonds do not constitute a debt of the State, and neither the full faith and credit nor the taxing authority of the State is in any manner pledged, given or loaned to the payment of the Board's revenue bonds. Further, the Board's revenue bonds are not secured by or payable from money in either Development Fund I or Development Fund II. As of the date hereof, the Board has issued revenue bonds only for the purpose of providing funds for the State Water Pollution Control Revolving Fund; however, the Board anticipates the issuance of revenue bonds within the next 12 months to fund the state water plan (see "State Water Plan" and "State Water Implementation Revenue Fund" below). Additionally, depending on future program demand, the Board is evaluating the need for the

initial leveraging for the State Safe Drinking Water Revolving Fund. See "TEXAS WATER DEVELOPMENT BOARD – State Revolving Funds" below.

State Revolving Funds

State Water Pollution Control Revolving Fund. The State Revolving Fund Act, Title VI of the Federal Water Pollution Control Act of 1972, as amended by the Water Quality Act of 1987, as amended (the "*Federal Act*"), established 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 publicly owned wastewater treatment works including storm water 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, and proceeds of Financial Assistance Bonds hereafter issued are expected to be used to provide all or a portion of such matching funds. A portion of the proceeds from the Series 2015F Bonds will be used for such purpose. Funds in a state revolving fund are permitted to be applied to provide financial assistance to Eligible Borrowers for publicly owned wastewater treatment works in a number of ways, including making direct loans, retiring existing debt through refinancing, and loan guarantees.

Pursuant to Chapter 15, Subchapter J of the Texas Water Code ("*Subchapter J*"), which became effective June 17, 1987, the State created the State Water Pollution Control Revolving Fund (the "*State Revolving Fund*") for the purpose of providing loans to political subdivisions for wastewater treatment works including storm water and nonpoint source pollution control projects and other authorized purposes. The Board currently provides financial assistance by purchasing political subdivision bonds from Eligible Borrowers.

Each loan to an Eligible Borrower made with the proceeds of bonds issued by the Board is in the form of either a loan or the purchase of the obligations issued by the Eligible Borrower, in either case, pursuant to a financing agreement between the Board and the Eligible Borrower. Either form of assistance is referred to as a "*loan*." Pursuant to the financing agreements, each Eligible Borrower delivers its own general obligation or revenue bond to the Board, referred to as a "*political subdivision bond*," in order to secure its loan repayment obligations. The Board makes loans (or purchases debt obligations) under the State Revolving Fund program with terms up to thirty (30) years from project completion, but in no event longer than the expected useful life of the project financed or refinanced by such loan.

State Safe Drinking Water Revolving Fund. The Safe Drinking Water Act, 42 U.S.C. § 300 et seq., as reauthorized in 1986 and amended in 1996 (the "*SDWA*"), established national primary drinking water regulations to protect the safety of the public's drinking water. Under the SDWA, the USEPA is authorized to make grants ("*DWSRF Capitalization Grants*") to states to assist communities in meeting established drinking water standards. As a condition to receipt of a DWSRF Capitalization Grant, a state is required to establish a drinking water state revolving fund ("*DWSRF*") 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. Heretofore, proceeds of Water Development Bonds have been used to provide all or a portion of such matching funds, and it is expected that matching funds will continue to be provided from the proceeds of Financial Assistance Bonds hereafter issued. A portion of the proceeds from the Series 2015F Bonds will be used 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 makes loans (or purchases debt obligations) under the State Revolving Fund program with terms up to thirty (30) years from project completion, but in no event longer than the expected useful life of the project financed or refinanced by such loan.

Pursuant to Subchapter J, Texas created the DWSRF for the purpose of providing loans to political subdivisions and water supply corporations. The Legislature expanded the program to allow funding for privately owned corporations for loan subsidies, provided that only appropriated funds and federal grants are utilized for such purpose.

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.

State Water Plan

Subchapter C of Chapter 16, Texas Water Code, directs the Board to prepare, develop, formulate, and adopt a comprehensive state water plan (the "*State Water Plan*"). The Board is responsible for preparing, developing, formulating and adopting a State Water Plan not later than January 5, 2002, and before the end of each successive five year period after that date. The State Water Plan shall provide for and identify 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 most recent State Water Plan was adopted by the Board on December 15, 2011 and distributed on January 5, 2012. The 2012 State Water Plan is available for inspection on the Internet website of the Board at http://www.twdb.texas.gov/publications/state_water_plan/2012/2012_SWP.pdf.

The Water Implementation Fund and the Water Implementation Revenue Fund

At an election held on November 5, 2013, the voters of Texas approved a constitutional amendment which added two new sections to Article III of the Constitution. Section 49-d-12 provided for the appropriation of \$2 billion from the State's economic stabilization fund to create the State Water Implementation Fund for Texas (the "*Water Implementation Fund*") as a special fund in the state treasury outside the general revenue fund and Section 49-d-13 created the State Water Implementation Revenue Fund for Texas (the "*Water Implementation Revenue Fund*") as a special fund in the state treasury outside the general revenue fund.

Section 49-d-12 provides that money in the Water Implementation Fund must be administered, without further appropriation, by the Board for the purpose of implementing the State Water Plan. In addition, Section 49-d-12 authorizes the Legislature to authorize the Board to enter into Bond Enhancement Agreements, payable solely from the Water Implementation Fund, to provide additional security for general obligation bonds or revenue bonds issued by the Board, the proceeds of which are used to finance State Water Plan projects, provided that the Bond Enhancement Agreements do not exceed the capacity of the Water Implementation Fund to fully support such agreements. Section 49-d-12 provides that the Legislature may authorize the Board to use the Water Implementation

Fund to finance, including by direct loan, water projects included in the State Water Plan. Section 49-d-13, authorizes the Legislature to authorize the Board to issue bonds and enter into related credit agreements that are payable from revenues available to the Water Implementation Revenue Fund. Obligations issued or incurred pursuant to Section 49-d-13 will be special obligations payable solely from amounts in the Water Implementation Revenue Fund. The Board anticipates issuing such obligations in the approximate aggregate principal amount of \$800,000,000 in the fall of 2015; however, the actual aggregate principal amount of such obligations is unknown at this time and will be based on the actual number of applications for water project assistance approved by the Board. Subchapter G of the Texas Water Code provides that the Board has legal title to the money and investments of the Water Implementation Fund to be used without further appropriation for the purpose of implementing the State Water Plan. Responsibility for the management and investment of the Water Implementation Fund is conferred on the Texas Treasury Safekeeping Trust Company ("*Trust Company*"), which holds and invests the Water Implementation Fund for and in the name of the Board.

The Board may direct the Trust Company to enter into Bond Enhancement Agreements to provide a source of revenue or security for the payment of the principal of and interest on general obligation bonds or revenue bonds issued by the Board to finance or refinance projects included in the State Water Plan if the proceeds of the sale of the bonds have been or will be deposited to the credit of: (1) the Water Implementation Fund; (2) the Water Implementation Revenue Fund; (3) the Rural Water Assistance Fund; (4) the State Participation Account; or (5) the Agriculture Fund. If the Trust Company enters into a Bond Enhancement Agreement, the Board may direct the Trust Company to make disbursements from the Water Implementation Fund to another fund or account for the support of bonds the proceeds of which are used to provide financial assistance in the forms described by Subchapter G, including loans bearing an interest rate of not less than 50% of the then-current market rate of interest available to the Board, a deferral of loan repayment, and incremental repurchase terms for an acquired facility. At the direction of the Board, the Trust Company must make disbursements from the Water Implementation Fund to another fund or account pursuant to a Bond Enhancement Agreement in the amounts the Board determines are needed for debt service payments on or security provisions of the Board's general obligation bonds or revenue bonds, after considering all other sources available for those purposes.

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

Organizational Structure

In addition to its constitutional and statutory responsibilities in providing and administering Development Fund II and other financial programs, the Board is responsible for establishing policy in connection with the USEPA Construction Grants Program and long-range planning for the water needs for the State. The Board is primarily responsible for the State's financial programs associated with the water industry including the establishment of policy for the financial programs and the employment of an Executive Administrator.

Board Members

The members of the Board currently are:

Carlos Rubinstein, Chairman. Appointed as Chairman of the Board by Governor Rick Perry effective September 1, 2013, Mr. Rubinstein served as a commissioner of the Texas Commission on Environmental Quality ("*TCEQ*") from 2009 to 2013. He is the Texas representative to the Western States Water Council; the Border Governors' Conference Sustainable Development worktable; the Good Neighbor Environmental Board, an independent federal advisory committee that assists the President and Congress on environmental infrastructure needs

along the U.S. border with Mexico; the Governmental Advisory Committee, which advises the USEPA Administrator on environmental concerns regarding NAFTA, the North American Agreement on Environmental Cooperation; and the Commission for Environmental Cooperation. Mr. Rubinstein is a former member of the Texas Environmental Flows Advisory Group. He has also served as deputy executive director of TCEQ and as Rio Grande Watermaster. He is the past Texas representative to the Border Governors' Conference Water worktable and a former city manager for the City of Brownsville. Mr. Rubinstein received a bachelor's degree in biology from Pan American University. Mr. Rubinstein's term expires February 1, 2017.

Bech Bruun, Member. Appointed to the Board by Governor Rick Perry effective September 1, 2013, Mr. Bruun most recently served as director of governmental appointments for the Office of the Governor. He previously served as the government and customer relations manager for the Brazos River Authority. He is a member of the Texas Environmental Flows Advisory Group. A native of Corpus Christi, he was chief of staff to State Representative Todd Hunter (District 32). Bruun is former general counsel to the House Committee on Judiciary and Civil Jurisprudence, past executive director of Texas Victory 2008, and a member of the State Bar of Texas, Knights of the Austin Symphony, and the Onion Creek Club Board of Governors. He received a bachelor's degree in business administration from The University of Texas at Austin and a law degree from The University of Texas School of Law. Mr. Bruun's term expires February 1, 2019.

Kathleen Jackson, Member. Appointed to the Board by Governor Rick Perry effective March 18, 2014, Ms. Jackson, as a registered professional engineer, 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. Ms. Jackson served as chair of the Southeast Texas Industry Public Relations Association, and the Southeast Texas section of the American Institute of Chemical Engineers and Keep Beaumont Beautiful Commission. She is a board member and past president of the Lamar Institute of Technology Foundation, 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 expired on February 1, 2015; however, Ms. Jackson will continue to hold office until she is reappointed or until such time as a successor is appointed and qualified to hold office pursuant to Chapter 6 of the Texas Water Code.

Key Staff Members

Kevin Patteson, Executive Administrator. Mr. Patteson became Executive Administrator of the Board on October 1, 2013. He previously served as the director of the Office of State-Federal Relations, acting as an advocate for the State of Texas in Washington, D.C. He also served as a liaison between the State and the federal government, helping coordinate State and federal programs, and providing information to federal agencies and Congress about State policy. Mr. Patteson is an attorney and was special counsel on federal initiatives for the TCEQ. He previously served as Special Counsel to Chairman Bryan W. Shaw at TCEQ, and as Deputy General Counsel to the Texas Workforce Commission. He served for a number of years as Assistant General Counsel and Ethics Advisor for the Office of the Governor, which included serving as lead counsel for the Texas Enterprise Fund and Emerging Technology Fund. He is a member of the State Bar of Texas and a past member of the State Employee Charitable Campaign Policy Committee. Mr. Patteson holds a bachelor's degree and law degree from Baylor University.

Les Trobman, General Counsel. Mr. Trobman was appointed to serve as General Counsel effective November 1, 2013. Prior to joining the Board, Mr. Trobman served as the General Counsel for the TCEQ since 2007. He worked in various legal capacities with the TCEQ since 2003. Prior to joining the TCEQ, Mr. Trobman practiced law in the private sector in Washington, D.C. and served as counsel to the US House of Representatives Budget Committee. Mr. Trobman is a current board member of the General Counsel forum and a member of the American Inns of Court. Mr. Trobman received a bachelor's degree in political science from Washington University in St. Louis and a law degree from Tulane Law School.

Amanda Landry, Chief Financial Officer and Development Fund Manager. Ms. Landry became chief financial officer of the Board on February 20, 2014. She previously served as financial reporting manager of the Texas Department of Transportation, managing various internal and external financial reporting requirements.

Ms. Landry previously served as a section lead and financial reporting analyst at the Texas Comptroller of Public Accounts. Ms. Landry holds bachelors of business administration and masters of professional accounting degrees from The University of Texas at Austin. She is also a licensed certified public accountant in the State of Texas.

Sunset Review

The Texas Sunset Act (Chapter 325, Texas Government Code) (the "*Sunset Act*") provides that virtually all agencies of the State, including the Board, are subject to periodic review by the Legislature, and that certain state agencies subject to sunset review will be abolished unless the Legislature specifically determines to continue its existence. Although the Board will be subject to its next sunset review in 2023 (and every 12 years thereafter), it is exempt from being abolished under the Sunset Act pursuant to Chapter 6 of the Texas Water Code. Under the Sunset Act, the Legislature specifically recognizes the State's continuing obligation to pay bonded indebtedness and all other obligations incurred by state agencies subject to the Sunset Act, including the Board.

Bond Review Board Approval

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

On May 21, 2015, the BRB approved the Bonds.

2015 Legislative Session

In odd-numbered years, the Legislature meets in a regular session lasting 140 days. On January 13, 2015, the Legislature convened in its 84th Regular Session and will continue until June 1, 2015. During this time, the Legislature may enact laws that adversely affect the operations of the Board or its ability to pay the Bonds. When the Legislature is not in regular session, the Governor may call one or more special sessions, at his discretion, each lasting no longer than 30 days. The Board can make no representation regarding any actions the Legislature may take.

GENERAL INFORMATION REGARDING THE STATE

Bond Appendix

The Comptroller prepares a quarterly appendix (the "*Bond Appendix*") which sets forth certain information regarding the State including its government, finances, economic profile, and other matters for use by State entities when issuing debt. The most current Bond Appendix is dated May 2015 and is incorporated herein as described in "APPENDIX A – The State of Texas." See "CONTINUING DISCLOSURE OF INFORMATION – Continuing Disclosure Undertaking of the Comptroller – General." With respect to evaluating the ability of the State to make timely payment of debt service on the Bonds based on the information contained in the Bond Appendix, no representation is made that such information contains all factors material to such an evaluation or that any specific information should be accorded any particular significance.

2014 State CAFR

The Texas 2014 Comprehensive Annual Financial Report for the year ended August 31, 2014 (the "*2014 CAFR*") is currently on file with the MSRB and may be obtained (i) using the MSRB's EMMA website, www.emma.msrb.org, by using the Quick Search function and entering the term "State of Texas Comptroller" or (ii) from the Comptroller's website at: http://www.texasransparency.org/State_Finance/Budget_Finance/Reports/Comprehensive_Annual_Financial/. The 2014 CAFR is incorporated by reference and made a part of this Official Statement as if set forth herein.

LEGAL MATTERS

Legal Opinion

The Board will furnish to the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the legal opinion of the Attorney General of the State to the effect that the Bonds are valid and legally binding obligations of the Board and, based upon examination of such transcript of proceedings, the legal opinion to like effect of Norton Rose Fulbright US LLP, Bond Counsel. In its capacity as Bond Counsel, Bond Counsel has reviewed the information under the captions "PLAN OF FINANCE" (except the subcaption "Anticipated Issuance of Additional Bonds," as to which no opinion will be expressed), "THE BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," "LEGAL MATTERS" (except the last two sentences of the first paragraph appearing under the subcaption "Legal Opinion" and the entirety of the information under the subcaption "No-Litigation Certificate" to which no opinion will be expressed), "TAX MATTERS – TAX EXEMPT BONDS," "TAX MATTERS – TAXABLE BONDS;" "CONTINUING DISCLOSURE OF INFORMATION" (excluding any information describing or otherwise pertaining to the continuing disclosure undertaking of the Comptroller and any statements with respect to Board's compliance with prior undertakings as to which no opinion will be expressed), and APPENDIX C to this Official Statement, and such firm is of the opinion that the information relating to the Bonds and the Resolution and such firm's legal conclusions contained under such captions and in APPENDIX C is a fair and accurate summary of the information purported to be shown therein. In connection with the transactions described herein, Bond Counsel represents only the Board. The legal 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 Board by its Disclosure Counsel, Escamilla & Poneck, LLP, San Antonio, Texas. Certain legal matters will be passed upon for the Underwriters by their counsel, Kassahn & Ortiz, P.C., San Antonio, Texas, whose legal fee is contingent on the issuance and sale of the Bonds.

Norton Rose Fulbright US LLP, Escamilla & Poneck, LLP, and Kassahn & Ortiz, P.C. each represents the Underwriters from time to time on matters not related to the Bonds.

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

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.

At the time of payment for and delivery of the Bonds, the Chairman of the Board 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) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business & Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for

state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended), the Bonds may have to be assigned a rating of at least "A" or its equivalent as to the investment quality by a national rating agency before the Bonds are eligible investments for sinking funds or other public funds of such political subdivisions.

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

Registration and Qualification of Bonds for Sale

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

TAX MATTERS – TAX-EXEMPT BONDS

Tax Exemption

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

Interest on the Tax-Exempt Bonds owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust ("FASIT"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code will be computed.

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

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

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

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

Tax Accounting Treatment of Discount and Premium on Certain Tax-Exempt Bonds

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

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount

Tax-Exempt Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Tax-Exempt Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Tax-Exempt Bond was held) is includable in gross income.

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

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

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

TAX MATTERS – TAXABLE BONDS

The following is a general summary of the United States federal income tax consequences of the purchase and ownership of the Taxable Bonds. The discussion is based upon laws, Treasury Regulations, rulings and decisions now in effect, all of which are subject to change or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of United States federal income taxation that may be relevant to a particular investor in the Taxable Bonds in light of the investor's particular personal investment circumstances or to certain types of investors subject to special treatment under United States federal income tax laws (including insurance companies, tax exempt organizations, financial institutions, brokers-dealers, and persons who have hedged the risk of owning the Taxable Bonds). The summary is therefore limited to certain issues relating to initial investors who will hold the Taxable Bonds as "capital assets" within the meaning of section 1221 of the Code, and acquire such Taxable Bonds for investment and not as a dealer or for resale. Prospective investors should note that no rulings have been or will be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE TAXABLE BONDS.

Payments of Stated Interest on the Taxable Bonds

The stated interest paid on the Taxable Bonds will be included in the gross income, as defined in section 61 of the Code, of the beneficial owners thereof and be subject to U.S. federal income taxation when received or accrued, depending on the tax accounting method applicable to the beneficial owners thereof.

Original Issue Discount

If a substantial amount of the Taxable Bonds of any stated maturity is purchased at original issuance for a purchase price (the “*Issue Price*”) that is less than their face amount by more than one quarter of one percent times the number of complete years to maturity, the Taxable Bonds of such maturity will be treated as being issued with “original issue discount.” The amount of the original issue discount will equal the excess of the principal amount payable on such Taxable Bonds at maturity over its Issue Price, and the amount of the original issue discount on the Taxable Bonds will be amortized over the life of the Taxable Bonds using the “constant yield method” provided in the Treasury Regulations. As the original issue discount accrues under the constant yield method, the beneficial owners of the Taxable Bonds, regardless of their regular method of accounting, will be required to include such accrued amount in their gross income as interest. This can result in taxable income to the beneficial owners of the Taxable Bonds that exceeds actual cash distributions to the beneficial owners in a taxable year.

The amount of the original issue discount that accrues on the Taxable Bonds each taxable year will be reported annually to the IRS and to the beneficial owners. The portion of the original issue discount included in each beneficial owner’s gross income while the beneficial owner holds the Taxable Bonds will increase the adjusted tax basis of the Taxable Bonds in the hands of such beneficial owner.

Premium

If a beneficial owner purchases a Taxable Bond for an amount that is greater than its stated redemption price at maturity, such beneficial owner will be considered to have purchased the Taxable Bond with “amortizable bond premium” equal in amount to such excess. A beneficial owner may elect to amortize such premium using a constant yield method over the remaining term of the Taxable Bond and may offset interest otherwise required to be included in respect of the Taxable Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a Taxable Bond held by a beneficial owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a Taxable Bond. However, if the Taxable Bond may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the Treasury Regulations which could result in a deferral of the amortization of some bond premium until later in the term of the Taxable Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

Medicare Contribution Tax

Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of “modified adjusted gross income” of the individual over \$200,000 for unmarried individuals (\$250,000 for married couples filing a joint return and a surviving spouse). Holders of the Taxable Bonds should consult with their tax advisor concerning this additional tax, as it may apply to interest earned on the Taxable Bonds as well as gain on the sale of a Taxable Bond.

Disposition of Taxable Bonds and Market Discount

A beneficial owner of Taxable Bonds will generally recognize gain or loss on the redemption, sale or exchange of a Taxable Bond equal to the difference between the redemption or sales price (exclusive of the amount paid for accrued interest) and the beneficial owner’s adjusted tax basis in the Taxable Bonds. Generally, the beneficial owner’s adjusted tax basis in the Taxable Bonds will be the beneficial owner’s initial cost, increased by the original issue discount previously included in the beneficial owner’s income to the date of disposition. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the beneficial owner’s holding period for the Taxable Bonds.

Under current law, a purchaser of a Taxable Bond who did not purchase the Taxable Bonds in the initial public offering (a “subsequent purchaser”) generally will be required, on the disposition of the Bonds, to recognize as ordinary income a portion of the gain, if any, to the extent of the accrued “market discount.” Market discount is the amount by which the price paid for the Taxable Bonds by a subsequent purchaser is less than the sum of Issue Price and the amount of original issue discount previously accrued on the Taxable Bonds. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire Taxable Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The re-characterization of gain as ordinary income on a subsequent disposition of Taxable Bonds could have a material effect on the market value of the Taxable Bonds.

Backup Withholding

Under section 3406 of the Code, a beneficial owner of the Taxable Bonds who is a United States person, as defined in section 7701(a)(30) of the Code, may, under certain circumstances, be subject to “backup withholding” on payments of current or accrued interest on the Taxable Bonds. This withholding applies if such beneficial owner of Taxable Bonds: (i) fails to furnish to payor such beneficial owner’s social security number or other taxpayer identification number (“TIN”); (ii) furnishes the payor an incorrect TIN; (iii) fails to report properly interest, dividends, or other “reportable payments” as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such beneficial owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain beneficial owners of the Taxable Bonds. Beneficial owners of the Taxable Bonds should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations

Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the rate of 30% on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest received by the beneficial owners of the Taxable Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if: (i) the beneficial owner provides a statement to the payor certifying, under penalties of perjury, that such beneficial owner is not a United States person and providing the name and address of such beneficial owner; (ii) such interest is treated as not effectively connected with the beneficial owner’s United States trade or business; (iii) interest payments are not made to a person within a foreign country which the IRS has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the Taxable Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such beneficial owner is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such beneficial owner is not a bank receiving interest on the Taxable Bonds pursuant to a loan agreement entered into in the ordinary course of the bank’s trade or business.

Assuming payments on the Taxable Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no backup withholding under section 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to beneficial owners or intermediaries who have furnished Form W-8 BEN, Form W-8 EXP or Form W-8 IMY, as applicable, provided the payor does not have actual knowledge that such person is a United States person.

Reporting of Interest Payments

Subject to certain exceptions, interest payments made to beneficial owners with respect to the Taxable Bonds will be reported to the IRS. Such information will be filed each year with the IRS on Form 1099 which will reflect

the name, address, and TIN of the beneficial owner. A copy of Form 1099 will be sent to each beneficial owner of a Bond for U.S. federal income tax purposes.

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.

Continuing Disclosure Undertaking of the Board

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

Annual Reports. The Board will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the Board of the general type included in this Official Statement under the heading "TEXAS WATER DEVELOPMENT BOARD" and the financial information and operating data in APPENDIX B. The Board will update and provide this information within 195 days after the end of each fiscal year ending in or after 2015.

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.

Disclosure Event Notices. The Board will notify the MSRB in a timely manner, not in excess of ten (10) Business Days (as defined in the Resolutions) after the occurrence of any of the events listed below. The Board will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Board; (13) the consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) the appointment of a successor or additional Paying Agent/Registrar or the change of name of a Paying Agent/Registrar, if material. In addition, the Board will provide timely notice of any failure by the Board to provide information, data, or financial statements in accordance with its agreement described above under "-Continuing Disclosure Undertaking of the Board – Annual Reports."

For the purposes of the event numbered 12 in the preceding paragraph, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Board in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board.

Continuing Disclosure Undertaking of the Comptroller

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

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

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

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

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

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

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

Availability of Information

The Board and the Comptroller have agreed to provide the foregoing financial and operating information only as described above. The Board and the Comptroller will be required to file their respective continuing disclosure

information using the MSRB's EMMA system. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

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

The Board and the Comptroller may amend their respective continuing disclosure agreements from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Board or the State, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) a person unaffiliated with the State, the Comptroller, the BRB and the Board (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of such Bonds. The Board or the Comptroller may also amend or repeal the provisions of its continuing disclosure agreements if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the Board or the Comptroller so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

With respect to the 2011 Continuing Disclosure Annual Report, the Board has determined that the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets for the Clean Water State Revolving Fund was inadvertently omitted; however such financial statements were included in prior and subsequent continuing disclosure filings. It is the Board's position that such inadvertent omission is not a failure to comply, in all material respects, with any of its prior undertakings. On April 9, 2015, the Board filed an event notice regarding this inadvertent omission through the MSRB's EMMA system.

OTHER INFORMATION

Ratings

Fitch Ratings, Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, 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.

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2015E Bonds at a purchase price of \$49,838,178.38 (reflecting the par amount of the Series 2015E Bonds, plus an original issue premium of \$6,279,935.85, less an underwriting discount of \$156,757.47) and no accrued interest.

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2015F Bonds at a purchase price of \$42,564,107.64 (reflecting the par amount of the Series 2015F Bonds, plus an original issue premium of \$4,891,457.35, less an underwriting discount of \$117,349.71) and no accrued interest.

The Underwriters have agreed, subject to certain conditions, to purchase the Taxable Series 2015G Bonds at a purchase price of \$11,370,342.82 (reflecting the par amount of the Taxable Series 2015G Bonds less an underwriting discount of \$44,657.18) and no accrued interest.

The Underwriters will be obligated to purchase all of the Bonds of a series if any Bonds of that series 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.

Unaudited Financial Information

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

Forward-Looking Statements

The statements contained in this Official Statement, and in any other information provided to the reader by the Board that are not purely historical, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding the Board's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official

Statement are based on information available to the Board on the date hereof, and the Board assumes no obligation to update any such forward-looking statements. It is important to note that the Board's actual results could differ materially from those in such forward-looking statements.

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

Certification of Official Statement

The financial and other information contained herein have been obtained from the Board's records and other sources which are deemed reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and the Resolution contained in this Official Statement are made subject to all of the provisions of such statutes and documents and the Resolution. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

At the time of payment for and delivery of the Bonds, the Board will be furnished a letter from the State, signed on behalf of the State by the Comptroller, upon which the Underwriters will be authorized to rely, to the effect that (a) to the best knowledge and belief of the Comptroller's office, APPENDIX A hereto is true and correct as of its date and does not contain an untrue statement of a material fact or omit to state a material fact, the omission of which, 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 of the type referred to in APPENDIX A hereto and timely notice of certain specified events.

Financial Advisor

First Southwest Company, LLC 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. First Southwest Company, LLC, 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.

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Approval of Official Statement

The Resolution approves the form and content of this Official Statement, and authorizes its further use in the reoffering of the Bonds by the Underwriters. Questions regarding this Official Statement may be directed to Amanda Landry, Chief Financial Officer and Development Fund Manager, Texas Water Development Board, 1700 North Congress, Suite 620K, Austin, Texas 78701; Telephone: (512) 936-0809; Electronic Mail: amanda.landry@twdb.texas.gov.

TEXAS WATER DEVELOPMENT BOARD

/s/ Kevin Patteson

Executive Administrator
Texas Water Development Board

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APPENDIX A

THE STATE OF TEXAS

The Bond Appendix dated May 2015 (the "*Bond Appendix*") is currently on file with the MSRB and is hereby incorporated by reference and made a part of this Official Statement. The Bond Appendix may be obtained (i) using the MSRB's EMMA website, www.emma.msrb.org, by using the Quick Search function and entering the term "State of Texas Comptroller" and (ii) from the Comptroller's website at: <http://www.window.state.tx.us/treasops/bondapp.html> until the Comptroller files a later version of such Bond Appendix.

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APPENDIX B

SELECTED FINANCIAL DATA (UNAUDITED)

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UNAUDITED (1)

Texas Water Development Board
Statement of Net Position - Financial Assistance Account

August 31,

	2010	2011	2012	2013	2014
ASSETS					
Current Assets:					
Cash and Cash Equivalents:					
Cash in State Treasury	113,715,222	94,332,699	85,043,572	132,787,989	86,441,332
Receivables from:					
Interest and Dividends	7,410,941	6,842,210	8,749,492	12,488,627	12,485,259
Accounts Receivable	129,102	65,469	34,991		
Interfund Receivables	10,729,249	12,050,048	13,561,621	14,569,103	15,621,931
Due From Other Funds	40,892,246	44,876,452	43,681,814	56,734,372	53,632,348
Loans and Contracts	18,101,510	19,907,820	16,394,452	24,578,508	28,546,690
Total Current Assets	190,978,270	178,074,698	167,465,942	241,158,599	196,727,558
Non-Current Assets:					
Loans and Contracts	643,852,605	618,914,585	820,366,125	938,037,616	918,572,727
Interfund Receivables	285,362,622	296,988,964	313,427,765	323,020,525	319,964,622
Total Non-Current Assets	929,215,227	915,903,549	1,133,793,890	1,261,058,141	1,238,537,348
Total Assets	1,120,193,497	1,093,978,247	1,301,259,832	1,502,216,740	1,435,264,907
LIABILITIES					
Current Liabilities:					
Payables from:					
Accounts Payable		5,000	14,349	93,783	24,596
Interest Payable	3,736,745	3,599,661	4,229,272	4,754,655	4,872,862
Due to Other Funds	38,297,762	42,274,438	40,998,829	54,066,387	50,955,652
G. O. Bonds Payable	34,575,000	39,505,000	37,827,856	49,321,361	46,086,849
Total Current Liabilities	76,609,507	85,384,099	83,070,306	108,236,186	101,939,960
Non-Current Liabilities:					
G. O. Bonds Payable (net)	866,280,000	825,540,000	1,031,410,152	1,203,399,230	1,135,606,767
Total Non-Current Liabilities	866,280,000	825,540,000	1,031,410,152	1,203,399,230	1,135,606,767
Total Liabilities	942,889,507	910,924,099	1,114,480,458	1,311,635,416	1,237,546,726
NET POSITION					
Unrestricted	177,303,990	183,054,148	186,779,374	190,581,324	197,718,180
Total Net Position (2)	177,303,990	183,054,148	186,779,374	190,581,324	197,718,180

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

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

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UNAUDITED (1)

**Texas Water Development Board
Statement of Revenues, Expenses, and Changes in Fund Net Position - Financial Assistance Account**

For the Fiscal Year Ended August 31,

	2010	2011	2012	2013	2014
OPERATING REVENUES:					
Interest and Investment Income	54,725,742	50,602,160	53,555,335	61,276,948	61,465,749
Total Operating Revenues	54,725,742	50,602,160	53,555,335	61,276,948	61,465,749
OPERATING EXPENSES:					
Professional Fees and Services	317,883	112,487	513,339	940,459	226,013
Travel	4,026		4,686	4,791	
Printing and Reproduction	1,336		1,571	1,231	
Interest	53,060,427	44,698,711	47,957,802	55,613,279	53,352,986
Other Operating Expenses	560,969	8,804	1,352,711	915,238	749,894
Total Operating Expenses	53,944,641	44,820,002	49,830,109	57,474,998	54,328,893
Operating Income (Loss)	781,101	5,782,158	3,725,226	3,801,950	7,136,856
Income/(Loss) before Other Revenues, Expenses, Gains/Losses and Transfers	781,101	5,782,158	3,725,226	3,801,950	7,136,856
OTHER REVENUES, EXPENSES, GAINS/LOSSES AND TRANSFERS:					
Transfers-In	389,518,751	255,459,708	54,053,857	379,202,818	53,342,515
Transfers-Out	(389,492,394)	(255,491,708)	(54,053,857)	(379,202,818)	(53,342,515)
Total Other Revenue, Expenses, Gain/Losses and Transfers	26,357	(32,000)	-	-	-
Change in Net Position	807,458	5,750,158	3,725,226	3,801,950	7,136,856
Total Net Position, September 1, XXXX	176,496,532	177,303,990	183,054,148	186,779,374	190,581,324
Total Net Position, August 31, Ending (2)	177,303,990	183,054,148	186,779,374	190,581,324	197,718,180

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

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

Texas Water Development Board
Balance Sheet / Statement of Net Position – Economically Distressed Area Program (EDAP) Account

August 31,

	Governmental Funds Total 2010 (2)	Long-Term Liabilities Adjustments 2010 (2)	Statement of Net Assets 2010 (2)	Governmental Funds Total 2011 (2)(3)	Long-Term Liabilities Adjustments 2011 (2)	Statement of Net Assets 2011 (2)
ASSETS						
Current Assets:						
Cash and Cash Equivalents:						
Cash in State Treasury	16,554,631		16,554,631	27,037,768		27,037,768
Receivables From:						
Interest and Dividends	285,218		285,218	212,220		212,220
Accounts Receivable	16,913		16,913	18,513		18,513
Loans and Contracts	1,392,282		1,392,282	1,334,360		1,334,360
Total Current Assets	18,249,044	-	18,249,044	28,602,861	-	28,602,861
Non-Current Assets:						
Loans & Contracts	26,719,104		26,719,104	23,743,713		23,743,713
Investments	-		-	-		-
Interfund Receivables	-		-	-		-
Other Noncurrent Assets	-		-	-		-
Total Noncurrent Assets	26,719,104	-	26,719,104	23,743,713	-	23,743,713
Total Assets	44,968,148	-	44,968,148	52,346,574	-	52,346,574
LIABILITIES AND FUND BALANCES						
Liabilities:						
Current Liabilities:						
Payables From:						
Accounts Payable		688,989	688,989		749,895	749,895
Interest Payable		10,129,006	10,129,006		12,797,055	12,797,055
General Obligation Bonds Payable		-	-		-	-
Total Current Liabilities	-	10,817,995	10,817,995	-	13,546,950	13,546,950
Non-Current Liabilities:						
General Obligation Bonds Payable		165,838,041	165,838,041		185,741,726	185,741,726
Total Non-Current Liabilities	-	165,838,041	165,838,041	-	185,741,726	185,741,726
Total Liabilities	-	176,656,036	176,656,036	-	199,288,676	199,288,676
Fund Financial Statement - Fund Balances						
Fund Balances (Deficits):						
Restricted				52,346,574		
Reserved for:						
Debt Service	2,313					
Loans and Contracts	26,719,103					
Unreserved Designated for:						
Other	18,246,732					
Total Fund Balances	44,968,148			52,346,574		
Total Liabilities and Fund Balances	44,968,148			52,346,574		
Government-wide Statement - Net Position						
Net Position:						
Restricted for:						
Debt Retirement		2,313	2,313		-	-
Unrestricted	(176,658,349)		(131,690,201)		(199,288,676)	(146,942,102)
Total Net Position (5)	(176,656,036)		(131,687,888)		(199,288,676)	(146,942,102)

- (1) The financial data presented here is a recapitulation of the Board's financial statements presented in their Annual Financial Reports. The Board's financial statements become a part of the Comprehensive Annual Financial Report for the State of Texas, which is audited by the State Auditor's Office; however, the scope of the reviews at the agency level do not constitute an audit of the individual agency's financial statements. Consequently, these statements are considered unaudited at the agency level.
- (2) Adjustments to amounts presented in the Fund Financial Statements necessitated by GASB Statement 34 to convert balances and results of operations from the modified accrual basis of accounting to the full accrual basis of accounting. Most significant of these adjustments is adding in the liability for the General Obligation Bonds Payable that was previously carried in the General Long-Term Debt Account Group. This results in negative Net Assets, as the adjusted carrying amount of the liabilities exceeds the assets in the fund(s). The bond liabilities of these funds are not dependent on the assets or earnings of the funds, as they are paid from biennial appropriations made by the state legislature.
- (3) Beginning on 9/1/2010 fund balance categories changed due to Government Accounting Standards Board Statement No. 54 implementation. Fund balances are no longer reported as reserved or unreserved. Instead they are reported as restricted.
- (4) The term Net Assets was changed to Net Position to comply with FY13 Annual Financial Reporting requirements and Government Accounting Standards Board Statement No. 54.

UNAUDITED (1)

Governmental Funds Total 2012 (2)	Long-Term Liabilities Adjustments 2012 (2)	Statement of Net Assets 2012 (2)	Governmental Funds Total 2013 (2)	Long-Term Liabilities Adjustments 2013 (2)	Statement of Net Assets 2013 (2)	Governmental Funds Total 2014 (2)	Long-Term Liabilities Adjustments 2014 (2)	Statement of Net Assets 2014 (2)
13,112,131		13,112,131	7,072,291		7,072,291	3,738,953		3,738,953
199,916		199,916	204,178		204,178	206,939		206,939
4,787		4,787			-			-
1,428,103		1,428,103	1,615,895		1,615,895	1,633,815		1,633,815
<u>14,744,937</u>	<u>-</u>	<u>14,744,937</u>	<u>8,892,364</u>	<u>-</u>	<u>8,892,364</u>	<u>5,579,707</u>	<u>-</u>	<u>5,579,707</u>
23,444,661		23,444,661	22,337,755		22,337,755	19,873,863		19,873,863
-		-	-		-	-		-
-		-	-		-	-		-
<u>23,444,661</u>	<u>-</u>	<u>23,444,661</u>	<u>22,337,755</u>	<u>-</u>	<u>22,337,755</u>	<u>19,873,863</u>	<u>-</u>	<u>19,873,863</u>
<u>38,189,598</u>	<u>-</u>	<u>38,189,598</u>	<u>31,230,119</u>	<u>-</u>	<u>31,230,119</u>	<u>25,453,570</u>	<u>-</u>	<u>25,453,570</u>
55,884		55,884			-			-
	696,527	696,527		752,433	752,433		673,071	673,071
	14,201,235	14,201,235		16,270,017	16,270,017		16,815,017	16,815,017
<u>55,884</u>	<u>14,897,762</u>	<u>14,953,646</u>	<u>-</u>	<u>17,022,450</u>	<u>17,022,450</u>	<u>-</u>	<u>17,488,089</u>	<u>17,488,089</u>
	187,239,906	187,239,906		203,326,753	203,326,753		186,161,736	186,161,736
-	187,239,906	187,239,906	-	203,326,753	203,326,753	-	186,161,736	186,161,736
<u>55,884</u>	<u>202,137,668</u>	<u>202,193,552</u>	<u>-</u>	<u>220,349,203</u>	<u>220,349,203</u>	<u>-</u>	<u>203,649,825</u>	<u>203,649,825</u>
38,133,714			31,230,119			25,453,570		
<u>38,133,714</u>			<u>31,230,119</u>			<u>25,453,570</u>		
<u>38,189,598</u>			<u>31,230,119</u>			<u>25,453,570</u>		
	(202,137,668)	(164,003,954)		(220,349,203)	(189,119,084)		(203,649,825)	(178,196,255)
	<u>(202,137,668)</u>	<u>(164,003,954)</u>		<u>(220,349,203)</u>	<u>(189,119,084)</u>		<u>(203,649,825)</u>	<u>(178,196,255)</u>
				(209,426,374)				

Texas Water Development Board
Statement of Revenues, Expenditures, and Changes in Fund Balances / Statement of Activities -
Economically Distressed Area Program (EDAP) Account

For the Fiscal Year Ended August 31,

	Governmental Funds Total 2010 (2)	Long-Term Liabilities Adjustments 2010 (2)	Statement of Activities 2010 (2)	Governmental Funds Total 2011 (2) (3)	Long-Term Liabilities Adjustments 2011 (2)	Statement of Activities 2011 (2)
REVENUES						
Interest and Other Investment Income	1,187,422		1,187,422	1,084,770		1,084,770
Total Revenues	1,187,422	-	1,187,422	1,084,770	-	1,084,770
EXPENDITURES						
Professional Fees and Services	38,157	115,794	153,951	109,932	198,606	308,538
Travel			-	4,573		4,573
Printing and Reproduction	274		274	3,347		3,347
Intergovernmental Payments	10,443,027		10,443,027	23,268,395		23,268,395
Public Assistance Payments	394,733		394,733	2,498,434		2,498,434
Other Expenditures	9,500		9,500	9,500		9,500
Debt service:						
Principal	12,970,000	(12,970,000)	-	11,950,000	(11,950,000)	-
Interest (FFS)	8,443,204	(8,443,204)	-	9,200,808	(9,200,808)	-
Interest on Long-Term Debt (GWFS)		7,651,565	7,651,565		8,904,659	8,904,659
Total Expenditures/Expenses	32,298,895	(13,645,845)	18,653,050	47,044,989	(12,047,543)	34,997,446
Excess (Deficiency) of Revenues Over Expenditures	(31,111,473)	13,645,845	(17,465,628)	(45,960,219)	12,047,543	(33,912,676)
OTHER FINANCING SOURCES (USES)						
Bond and Note Proceeds	25,043,378	(25,043,378)	-	34,680,183	(34,680,183)	-
Transfers In	32,489,395		32,489,395	29,661,315		29,661,315
Transfers Out	(13,645,103)		(13,645,103)	(11,002,853)		(11,002,853)
Total Other Financing Sources and Uses	43,887,670	(25,043,378)	18,844,292	53,338,645	(34,680,183)	18,658,462
Net Change in Fund Balances/Net Position	12,776,197	(1,397,533)	1,378,664	7,378,426	(22,632,640)	(15,254,214)
Fund Financial Statement - Fund Balances						
Fund Balances--Beginning	32,191,951			44,968,148		
Fund Balances--August 31, Ending	44,968,148			52,346,574		
Government-Wide Statement of Net Position						
Net Position--Beginning		(165,258,503)	(133,066,552)		(176,656,036)	(131,687,888)
Net Position--August 31, Ending (4)		(176,656,036)	(131,687,888)		(199,288,676)	(146,942,102)

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

(2) Adjustments to amounts presented in the Fund Financial Statements necessitated by GASB Statement 34 to convert balances and results of operations from the modified accrual basis of accounting to the full accrual basis of accounting. Most significant of these adjustments is adding in the liability for the General Obligation Bonds Payable that was previously carried in the General Long-Term Debt Account Group. This results in negative Net Assets, as the adjusted carrying amount of the liabilities exceeds the assets in the fund(s). The bond liabilities of these funds are not dependent on the assets or earnings of the funds, as they are paid from biennial appropriations made by the state legislature.

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

UNAUDITED (1)

Governmental Funds Total 2012 (2)	Long-Term Liabilities Adjustments 2012 (2)	Statement of Activities 2012 (2)	Governmental Funds Total 2013 (2)	Long-Term Liabilities Adjustments 2013 (2)	Statement of Activities 2013 (2)	Governmental Funds Total 2014 (2)	Long-Term Liabilities Adjustments 2014 (2)	Statement of Activities 2014 (2)
836,968		836,968	778,406		778,406	711,588		711,588
836,968	-	836,968	778,406	-	778,406	711,588	-	711,588
157,604	10,645	168,249	86,172	185,429	271,601	21,143		21,143
902		902	1,435		1,435			-
1,194		1,194			-			-
28,578,797		28,578,797	38,038,388		38,038,388	2,596,200		2,596,200
		-	1,216,608		1,216,608	1,485,232		1,485,232
31,114		31,114			-	86,621		86,621
12,630,000	(12,630,000)	-	15,265,000	(15,265,000)	-	15,980,000	(15,980,000)	-
9,312,285	(9,312,285)	-	9,445,720	(9,445,720)	-	8,820,246	(8,820,246)	-
	8,852,682	8,852,682		8,861,609	8,861,609		8,100,868	8,100,868
50,711,896	(13,078,958)	37,632,938	64,053,323	(15,663,682)	48,389,641	28,989,443	(16,699,378)	12,290,065
(49,874,928)	13,078,958	(36,795,970)	(63,274,917)	15,663,682	(47,611,235)	(28,277,855)	16,699,378	(11,578,477)
15,927,950	(15,927,950)	-	33,875,217	(33,875,217)	-			-
21,940,112		21,940,112	24,816,431		24,816,431	25,122,228		25,122,228
(2,205,994)		(2,205,994)	(2,320,326)		(2,320,326)	(2,620,921)		(2,620,921)
35,662,068	(15,927,950)	19,734,118	56,371,322	(33,875,217)	22,496,105	22,501,306	-	22,501,306
(14,212,860)	(2,848,992)	(17,061,852)	(6,903,595)	(18,211,535)	(25,115,130)	(5,776,549)	16,699,378	10,922,829
52,346,574			38,133,714			31,230,119		
38,133,714			31,230,119			25,453,570		
	(199,288,676)	(146,942,102)		(202,137,668)	(164,003,954)		(220,349,203)	(189,119,084)
	(202,137,668)	(164,003,954)		(220,349,203)	(189,119,084)		(203,649,825)	(178,196,255)

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APPENDIX C

PROPOSED FORMS OF BOND COUNSEL OPINIONS

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

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[Closing Date]

Norton Rose Fulbright US LLP
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United States

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Fax +1 214 855 8200
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IN REGARD to the authorization and issuance of the “State of Texas Water Financial Assistance Bonds, Series 2015E (Economically Distressed Areas Program)”, dated June 18, 2015, in the principal amount of \$43,715,000 (the “Bonds”), we have examined into their issuance by the Texas Water Development Board (the “Board”), solely to express legal opinions as to the validity of the Bonds, the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the Board, the disclosure of any financial or statistical information or data pertaining to the Board and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued as in fully registered form only, and are in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Bonds mature on August 1 in each of the years specified in the approval certificate (the “Approval Certificate”) executed pursuant to a resolution adopted by the Board authorizing the issuance of the Bonds (the “Bond Resolution” and, jointly with the Approval Certificate, the “Resolution”), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the date, at the rates, and in the manner and interest is payable on the dates, all as provided in the Resolution. Terms used herein and not otherwise defined shall have the meaning given in the Resolution.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings of the Board in connection with the issuance of the Bonds, including the Resolution, (ii) certifications and opinions of officers of the Board relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the Board and to certain other facts within the knowledge and control of the Board, and (iii) such other documentation, including an examination of the Bond executed and delivered initially by the Board (which we found to be in due form and properly executed), and such matters of law as we deem relevant to the matters discussed below. In such examinations, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies and the accuracy of the statements and information contained in such certificates.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas, in force and effect on the date hereof:

1. The Bonds have been duly authorized by the Board and, are valid, legally binding and enforceable general obligations of the State. Pursuant to Section 49-d-8 of Article III of the Texas Constitution, to the extent there is

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not money in the Economically Distressed Areas Account of the Development Fund II available to pay principal and interest on the Bonds, there is appropriated out of the first moneys coming into the Treasury in each fiscal year not otherwise appropriated by the State Constitution, an amount sufficient to pay the principal of and interest on the Bonds scheduled to mature during such fiscal year; 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 State Constitution and in the enabling act; and that the full faith and credit of the State in the manner provided in the Resolution are pledged to the payment of principal of and interest on the Bonds.

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the Board with the provisions of the Resolution relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of individuals or, except as hereinafter described, corporations. Interest on the Bonds owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporations, other than an S corporation, a qualified mutual fund, a real estate mortgage investment conduit, a real estate investment trust, or a financial asset securitization investment trust ("FASIT"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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.

[Closing Date]

Norton Rose Fulbright US LLP
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IN REGARD to the authorization and issuance of the “State of Texas Water Financial Assistance Bonds, Series 2015F”, dated June 18, 2015, in the principal amount of \$37,790,000 (the “Bonds”), we have examined into their issuance by the Texas Water Development Board (the “Board”), solely to express legal opinions as to the validity of the Bonds, the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the Board, the disclosure of any financial or statistical information or data pertaining to the Board and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued as in fully registered form only, and are in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Bonds mature on August 1 in each of the years specified in the approval certificate (the “Approval Certificate”) executed pursuant to a resolution adopted by the Board authorizing the issuance of the Bonds (the “Bond Resolution” and, jointly with the Approval Certificate, the “Resolution”), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the date, at the rates, and in the manner and interest is payable on the dates, all as provided in the Resolution. Terms used herein and not otherwise defined shall have the meaning given in the Resolution.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings of the Board in connection with the issuance of the Bonds, including the Resolution, (ii) certifications and opinions of officers of the Board relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the Board and to certain other facts within the knowledge and control of the Board, and (iii) such other documentation, including an examination of the Bond executed and delivered initially by the Board (which we found to be in due form and properly executed), and such matters of law as we deem relevant to the matters discussed below. In such examinations, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies and the accuracy of the statements and information contained in such certificates.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas, in force and effect on the date hereof:

1. The Bonds have been duly authorized by the Board and, are valid, legally binding and enforceable general obligations of the State. Pursuant to Section 49-d-8 of Article III of the Texas Constitution, to the extent there is

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not money in the Financial Assistance Account of Development Fund II available to pay principal and interest on the Bonds, there is appropriated out of the first moneys coming into the Treasury in each fiscal year not otherwise appropriated by the State Constitution, an amount sufficient to pay the principal of 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 State Constitution and in the enabling act; and that the full faith and credit of the State in the manner provided in the Resolution are pledged to the payment of principal of and interest on the Bonds.

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the Board with the provisions of the Resolution relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of individuals or, except as hereinafter described, corporations. Interest on the Bonds owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporations, other than an S corporation, a qualified mutual fund, a real estate mortgage investment conduit, a real estate investment trust, or a financial asset securitization investment trust ("FASIT"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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.

[Closing Date]

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IN REGARD to the authorization and issuance of the “State of Texas Water Financial Assistance Bonds, Taxable Series 2015G”, dated June 18, 2015, in the principal amount of \$11,415,000 (the “Bonds”), we have examined into their issuance by the Texas Water Development Board (the “Board”), solely to express legal opinions as to the validity of the Bonds, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the Board, the disclosure of any financial or statistical information or data pertaining to the Board and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued as in fully registered form only, and are in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Bonds mature on August 1 in each of the years specified in the approval certificate (the “Approval Certificate”) executed pursuant to a resolution adopted by the Board authorizing the issuance of the Bonds (the “Bond Resolution” and, jointly with the Approval Certificate, the “Resolution”), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the date, at the rates, and in the manner and interest is payable on the dates, all as provided in the Resolution. Terms used herein and not otherwise defined shall have the meaning given in the Resolution.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings of the Board in connection with the issuance of the Bonds, including the Resolution, (ii) certifications and opinions of officers of the Board relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the Board and to certain other facts within the knowledge and control of the Board, and (iii) such other documentation, including an examination of the Bond executed and delivered initially by the Board (which we found to be in due form and properly executed), and such matters of law as we deem relevant to the matters discussed below. In such examinations, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies and the accuracy of the statements and information contained in such certificates.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

The Bonds have been duly authorized by the Board and, are valid, legally binding and enforceable general obligations of the State. Pursuant to Section 49-d-8 of Article III of the Texas Constitution, to the extent there is not money in the Financial Assistance Account of Development Fund II available to pay principal and interest on the Bonds, there is appropriated out of the first moneys coming

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into the Treasury in each fiscal year not otherwise appropriated by the State Constitution, an amount sufficient to pay the principal of 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 State Constitution and in the enabling act; and that the full faith and credit of the State in the manner provided in the Resolution are pledged to the payment of principal of and interest on the Bonds.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

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; 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.

**APPENDIX D
SCHEDULE OF DEBT SERVICE REQUIREMENTS**

**\$43,715,000
STATE OF TEXAS
WATER FINANCIAL ASSISTANCE REFUNDING BONDS
SERIES 2015E
(ECONOMICALLY DISTRESSED AREAS PROGRAM)**

Fiscal Year	Total Existing Debt Service ⁽¹⁾	Series 2015E Debt Service			Total Debt Service
		Principal	Interest	Total	
2015	\$ 24,373,419	\$ 5,430,000	\$ 239,343	\$ 5,669,343	\$ 30,042,762
2016	23,790,578	1,905,000	1,895,200	3,800,200	27,590,778
2017	23,537,314	1,915,000	1,819,000	3,734,000	27,271,314
2018	23,279,111	1,915,000	1,723,250	3,638,250	26,917,361
2019	22,781,125	1,915,000	1,627,500	3,542,500	26,323,625
2020	19,741,658	1,915,000	1,531,750	3,446,750	23,188,408
2021	18,059,331	1,915,000	1,436,000	3,351,000	21,410,331
2022	17,474,910	1,915,000	1,340,250	3,255,250	20,730,160
2023	15,812,761	1,915,000	1,244,500	3,159,500	18,972,261
2024	14,798,849	1,915,000	1,148,750	3,063,750	17,862,599
2025	11,462,440	1,915,000	1,053,000	2,968,000	14,430,440
2026	9,114,071	1,915,000	957,250	2,872,250	11,986,321
2027	5,591,496	1,915,000	861,500	2,776,500	8,367,996
2028	5,450,415	1,915,000	765,750	2,680,750	8,131,165
2029	5,288,415	1,915,000	670,000	2,585,000	7,873,415
2030	4,008,615	1,915,000	574,250	2,489,250	6,497,865
2031	3,895,615	1,915,000	478,500	2,393,500	6,289,115
2032	3,048,665	1,915,000	382,750	2,297,750	5,346,415
2033	-	1,915,000	287,000	2,202,000	2,202,000
2034	-	1,915,000	191,250	2,106,250	2,106,250
2035	-	1,910,000	95,500	2,005,500	2,005,500
	\$ 251,508,790	\$ 43,715,000	\$ 20,322,293	\$ 64,037,293	\$ 315,546,082

(1) Total Debt Service as of May 1, 2015.

\$37,790,000
STATE OF TEXAS
WATER FINANCIAL ASSISTANCE BONDS
SERIES 2015F

\$11,415,000
STATE OF TEXAS
WATER FINANCIAL ASSISTANCE BONDS
SERIES 2015G TAXABLE

Fiscal Year	Total Existing Debt Service ⁽¹⁾	Series 2015F Debt Service			Series 2015G Debt Service			Total Debt Service
		Principal	Interest	Total	Principal	Interest	Total	
2015	\$ 93,147,275	\$ 1,505,000	\$ 201,557	\$ 1,706,557	\$ -	\$ 35,838	\$ 35,838	\$ 94,889,670
2016	91,699,834	5,230,000	1,657,350	6,887,350	660,000	300,043	960,043	99,547,227
2017	92,999,890	4,850,000	1,552,750	6,402,750	665,000	296,083	961,083	100,363,723
2018	93,948,384	4,600,000	1,310,250	5,910,250	670,000	289,626	959,626	100,818,260
2019	97,440,421	4,280,000	1,080,250	5,360,250	680,000	280,568	960,568	103,761,238
2020	96,492,665	4,060,000	866,250	4,926,250	695,000	267,920	962,920	102,381,835
2021	93,132,430	4,145,000	663,250	4,808,250	705,000	253,603	958,603	98,899,283
2022	84,667,570	3,630,000	456,000	4,086,000	725,000	236,817	961,817	89,715,386
2023	78,562,963	3,050,000	274,500	3,324,500	740,000	218,467	958,467	82,845,930
2024	73,254,801	2,440,000	122,000	2,562,000	765,000	198,250	963,250	76,780,051
2025	66,753,769				785,000	176,356	961,356	67,715,125
2026	64,427,298				810,000	152,947	962,947	65,390,245
2027	65,040,619				835,000	127,335	962,335	66,002,954
2028	59,851,549				860,000	98,678	958,678	60,810,227
2029	60,995,382				895,000	67,012	962,012	61,957,394
2030	53,889,636				925,000	34,059	959,059	54,848,695
2031	53,884,316							53,884,316
2032	44,119,062							44,119,062
2033	44,130,659							44,130,659
2034	39,234,271							39,234,271
2035	39,209,841							39,209,841
2036	34,603,245							34,603,245
2037	39,265,934							39,265,934
2038	38,801,341							38,801,341
2039	46,023,355							46,023,355
2040	33,151,359							33,151,359
2041	33,153,585							33,153,585
2042	1,863,989							1,863,989
2043	1,869,526							1,869,526
2044	1,471,500							1,471,500
2045	1,469,744							1,469,744
2046	1,469,913							1,469,913
2047	1,471,750							1,471,750
	\$ 1,721,497,874	\$ 37,790,000	\$ 8,184,157	\$ 45,974,157	\$ 11,415,000	\$ 3,033,600	\$ 14,448,600	\$ 1,781,920,631

(1) Total Debt Service as of May 1, 2015.

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

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

The Board and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in the Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC. Termination of the DTC Book-Entry-Only System by the Issuer may require consent of the Participants under DTC Operational Arrangements.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond will be issued for each maturity of the Bonds, as set forth on the inside of the cover page hereof, in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and, together with the Direct Participants, the "Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized

representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

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

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

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

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

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

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

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



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