

OFFICIAL STATEMENT
Dated January 10, 2018

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



\$61,280,000
STATE OF TEXAS
GENERAL OBLIGATION BONDS

Water Financial Assistance and Refunding Bonds,
Series 2018A

Dated Date: January 1, 2018

Due: August 1, as shown on page ii herein

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

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

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

The Bonds are issued pursuant to a Board resolution adopted on December 7, 2017 (the "Bond Resolution"), in which the Board delegated to certain designated officials the authority to establish and approve the final terms of the sale of the Bonds through the execution of an approval certificate (the Bond Resolution and such approval certificate are collectively referred to herein as the "Resolution"). The Bonds are being issued pursuant to the Resolution, and the Constitution and laws of the State, including particularly Article III, Section 49-d-8, 49-d-9 and 49-d-11, Texas Constitution, Subchapter L of Chapter 17 of the Texas Water Code, as amended (the "Act"), Chapter 1207, Texas Government Code, as amended ("Chapter 1207") and Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), for the purposes of conserving and developing the water resources of the State by (i) providing funds for the Financial Assistance Account for Water Assistance Projects, including state matching funds for federal funds provided to any state revolving fund administered by the Board under the provisions of the Texas Water Code; (ii) providing funds for the refunding of the Refunded Bonds, and (iii) providing funds for the payment of expenses arising in connection with the issuance of the Bonds. Capitalized terms not otherwise defined herein have the meanings given to said terms in the Resolution.

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

The Bonds are offered for delivery when, as and if issued and accepted by the underwriters listed below (the "Underwriters"), subject to prior sale, withdrawal or modification of the offer without notice and are subject to the approving legal opinion of the Attorney General of the State, and Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel. Certain legal matters will be passed on for the Board by Bracewell LLP, Houston, Texas, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Andrews Kurth Kenyon LLP, Austin, Texas. See "LEGAL MATTERS." It is expected that the Bonds will be available for delivery, through the facilities of DTC, on or about January 25, 2018 (the "Date of Delivery").

RAMIREZ & CO., INC.

ACADEMY SECURITIES

PIPER JAFFRAY & CO.

UMB BANK, N.A.

Maturity Schedule

**\$61,280,000
STATE OF TEXAS
GENERAL OBLIGATION BONDS
Water Financial Assistance
and Refunding Bonds,
Series 2018A**

CUSIP Prefix: 882724⁽³⁾

Maturity (August 1)⁽¹⁾⁽²⁾	Principal Amount (\$)	Interest Rate (%)	Initial Yield (%)	CUSIP⁽³⁾
2018	5,225,000	5.000%	1.380%	EX1
2019	5,520,000	4.000%	1.550%	EY9
2020	5,715,000	5.000%	1.620%	EZ6
2021	5,965,000	5.000%	1.680%	FA0
2022	7,905,000	5.000%	1.770%	FB8
2023	5,760,000	5.000%	1.850%	FC6
2024	6,040,000	5.000%	1.950%	FD4
2025	6,345,000	5.000%	2.040%	FE2
2026	3,195,000	5.000%	2.110% ⁽⁴⁾	FF9
2027	3,360,000	5.000%	2.160% ⁽⁴⁾	FG7
2028	3,050,000	5.000%	2.210% ⁽⁴⁾	FH5
2029	3,200,000	5.000%	2.260% ⁽⁴⁾	FJ1

(Interest to accrue from the Date of Delivery)

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

⁽²⁾ *Optional Redemption.* The Bonds having stated maturities on and after August 1, 2026, are subject to redemption at the option of the Board, in whole or from the time to time in part, on August 1, 2025 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See "THE BONDS – Redemption Provisions."

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

⁽⁴⁾ Yield calculated to the first optional call date at par, August 1, 2025.

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SALE AND DISTRIBUTION OF THE BONDS

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

Use of Official Statement

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

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

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

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

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

Marketability

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

Securities Laws

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

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

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

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

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TEXAS WATER DEVELOPMENT BOARD

Members	Term Expiration
Bech K. Bruun, Chairman ⁽¹⁾	February 1, 2019
Kathleen Jackson, Member	February 1, 2023
Peter M. Lake, Member	February 1, 2021

KEY STAFF MEMBERS

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

BOND COUNSEL
Norton Rose Fulbright US LLP
Dallas, Texas

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

DISCLOSURE COUNSEL
Bracewell LLP
Houston, Texas

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

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

⁽¹⁾ Mr. Bruun resigned from the Board, on December 7th, 2017 but continues to serve as an officer of the Board until a successor is duly qualified, in accordance with Article XVI, Sec.17, Texas Constitution. See “BOARD MEMBERS” AND “BOARD GOVERNANCE.”

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OFFICIAL STATEMENT

relating to

\$61,280,000

STATE OF TEXAS

GENERAL OBLIGATION BONDS

Water Financial Assistance and Refunding Bonds,
Series 2018A

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 and Refunding Bonds, Series 2018A (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 Bonds, together with other Water Assistance Bonds heretofore issued or to be issued in the future for the Financial Assistance Account of Development Fund II (the "Financial Assistance Account"), are hereinafter referred to sometimes as the "Financial Assistance Bonds." Water Assistance Bonds heretofore issued or to be issued in the future for the Economically Distressed Areas Program Account of Development Fund II (the "EDAP Account") are hereinafter referred to sometimes as the "EDAP Bonds." Water Assistance Bonds heretofore issued or to be issued in the future for the State Participation Account of Development Fund II (the "State Participation Account") are hereinafter referred to sometimes as the "State Participation Bonds." **No EDAP or State Participation Bonds are being offered pursuant to this Official Statement.**

The Bonds are being issued pursuant to a resolution adopted by the Board on December 7, 2017 (the "Bond Resolution"), the Constitution and laws of the State, including particularly Section 49-d-8, 49-d-9 and 49-d-11, Subchapter L of Chapter 17 of the Texas Water Code, as amended (the "Act"), Chapter 1207, Texas Government Code, as amended ("Chapter 1207") and Chapter 1371, Texas Government Code, as amended ("Chapter 1371"). The Bond Resolution delegates to an authorized representative of the Board authority to complete the sale of the Bonds pursuant to the terms of an approval certificate (the "Approval Certificate" and together with the Bond Resolution, the "Resolution", and a particular bond purchase agreement entered into with respect to the Bonds, (the "Purchase Agreement") between the Board and the underwriters listed on the cover page hereto (the "Underwriters"). Capitalized terms not otherwise defined herein have the meanings given to said terms in the Resolution.

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

PLAN OF FINANCE

Background

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

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

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

Use of Bond Proceeds

The Bonds are being issued to provide funds for the Financial Assistance Account for Water Assistance Projects and to pay the costs of issuance of such portion of Bonds. The Bonds are being issued for the purpose of conserving and developing the water resources of the State by (i) providing funds for the Financial Assistance Account for Water Assistance Projects, including state matching funds for federal funds provided to any state revolving fund administered by the Board under the provisions of the Texas Water Code; (ii) providing funds for the refunding of the Refunded Bonds; and (iii) providing fund for the payment of expenses arising in connection with the issuance of the Bonds. The Bond Resolution authorized the issuance of the Bonds in a maximum aggregate principal amount of \$75,000,000.00. The authority to issue the Bonds under the terms of the Resolution expires on December 7, 2018.

Refunded Bonds

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

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

Anticipated Issuance of Additional Bonds

Various State entities, including the Board, have issued and are authorized to issue general obligation bonds or other obligations of the State. In addition, by constitutional amendment, the voters of the State may authorize the issuance of additional general obligation bonds or other indebtedness for which the full faith, credit and taxing 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 Bonds and available funds of the Board, if any, will be applied approximately as follows:

Sources	
Principal Amount	\$61,280,000.00
Premium	8,409,372.10
Debt Service Fund Transfer	189,950.00
Board Contribution	1,006,155.00
Total	<u>\$70,885,477.10</u>
Uses	
Deposit to Financial Assistance Account	\$51,222,560.27
Deposit for Redemption of Refunded Bonds	19,179,673.61
Costs of Issuance ⁽¹⁾	270,000.00
Underwriters' Discount	213,043.15
Additional Proceeds	200.07
Total	<u>\$70,885,477.10</u>

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

THE BONDS

General Provisions

The Bonds will be issued only as fully registered bonds, in any integral multiple of \$5,000 within a maturity. Interest on the Bonds will accrue from the Date of Delivery at the respective per annum rates for each maturity of Bonds as shown on page ii hereof and will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Bonds will be payable on August 1, 2018, and on each February 1 and August 1 thereafter until maturity or prior redemption. The Bonds mature on August 1 in the years and in the principal amounts set forth on the inside cover page hereof.

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

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

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

Redemption Provisions

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

Optional Redemption. The Bonds having stated maturities on and after August 1, 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.

Selection of Bonds to be Redeemed

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

Extraordinary Mandatory Redemption

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

an amount equal to the unused proceeds, *i.e.*, the difference between the amount actually used and an amount equal to 30 percent of the net proceeds of the issue; and the issuer (i) must reasonably expect that within the three-year period beginning on the date of issue, at least 95 percent of the net proceeds of the issue will be used directly or indirectly to make loans (the "Three-Year Computation Period"); and (ii) must redeem outstanding bonds within 90 days after the end of such three-year period to the extent of, and in an amount equal to the unused proceeds, *i.e.*, the difference between the amount actually used and an amount equal to 95 percent of the net proceeds of the issue.

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

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

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

* Includes amount for refunding purposes

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

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

Extraordinary Mandatory Redemption Price (%)

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

CUSIP Prefix: 882724⁽¹⁾

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

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

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

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

Notice of Redemption

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

required redemption price for Bonds or the portion thereof which are to be so redeemed, plus accrued interest thereon to the date fixed for redemption.

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

SHOULD NOTICE TO CALL THE BONDS FOR REDEMPTION AT THE OPTION OF THE BOARD BE GIVEN IN THE MANNER PROVIDED ABOVE, BUT THE BOARD SHALL NOT BE ABLE TO PROVIDE THE PAYING AGENT/REGISTRAR WITH AMOUNTS SUFFICIENT TO AFFECT ON THE DATE FIXED FOR REDEMPTION THE PAYMENT OF THE ENTIRE REDEMPTION PRICE OF THE BONDS SO CALLED FOR REDEMPTION, NO SUCH BONDS SHALL BE REDEEMED ON THE DATE FIXED FOR REDEMPTION, AND THE NOTICE OF REDEMPTION FOR SUCH BONDS SHALL BE NULL AND VOID.

Paying Agent/Registrar

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

Transfer, Exchange and Registration

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

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

Limitation on Transfer of Bonds Called for Redemption

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

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General Obligation Pledge

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

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

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

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

Perfection of Security

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

Enforcement of Payment

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

Defeasance

The Resolution provides that any Bond issued thereunder will be deemed paid and no longer Outstanding (a "Defeased Bond") when payment of the principal of and premium, if any, on such Bond, plus interest thereon to the due date thereof (by maturity or otherwise), shall have been provided by the Board irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other similar instrument for such payment (a) lawful money of the United States of America sufficient to make such payment or (b) Defeasance Securities (as defined below) that mature as to

principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Board with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. As used above and specified in the Approval Certificate, "Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America and (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality. The Defeasance Securities are to be rated by a nationally recognized investment rating firm not less than "AAA" or its equivalent, on the date the Board authorizes or approves proceedings authorizing the issuance of refunding bonds, or if such defeasance is not in connection with the issuance of refunding bonds, on the date the Board provides for the funding of an escrow to effect the defeasance of the Bonds. In addition, to the extent then allowed by state law, the term Defeasance Securities shall include noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality, and that are rated as to investment quality by a nationally recognized investment rating firm with a rating that is not less than the rating assigned by such firm to United States government securities.

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

Amendment of Resolution With Consent of Registered Owners

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

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

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

Amendment of Resolution Without Consent of Registered Owners

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

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

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

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

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

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

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

WATER ASSISTANCE BOND PROGRAM

Development Fund I

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 the Board had been authorized to issue up to \$2,480,000,000 in general obligation bonds for various water development purposes ("Water Development Bonds") to augment the Texas Water Development Fund ("Development Fund I"). Pursuant to such authorization, the Board has issued \$1,467,190,000 of Water Development Bonds for Development Fund I. In an effort to aggregate the voted authority of various constitutional amendments, voters approved Section 49-d-8 in 1997 which provided that bonds otherwise authorized by Sections 49-c, 49-d, 49-d-1, 49-d-2, 49-d-5, 49-d-6 and 49-d-7 of Article III of the Constitution (the "Development Fund I Constitutional Provisions") could be issued as Water Assistance Bonds to augment Development Fund II. Thereafter, all of the liabilities and assets formerly held in Development Fund I were transferred to Development Fund II.

Development Fund II

Development Fund II was established pursuant to Section 49-d-8, 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. Section 49-d-8 provides that bonds otherwise authorized by the Development Fund I Constitutional Provisions can be issued to augment Development Fund II. Since Section 49-d-8 consolidated the separate bond issuance authorities contained in the Development Fund I Constitutional Provisions and provides a more efficient cash flow for Development Fund II than exists for Development Fund I, the Board ceased issuing bonds to augment Development Fund I and used the remaining constitutional authority provided by the Development Fund I Constitutional Provisions to issue bonds to augment Development Fund II. In addition, the voters of the State approved Section 49-d-9 on November 6, 2001, which authorizes the Board to issue additional general obligation bonds for one or more accounts of Development Fund II in an amount not to exceed \$2 billion. Additional bonds have been issued under such authorizations and the additional bond authorization under Section 49-d-9 has been exhausted.

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

Section 49-d-11, 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 provide that the authority to issue bonds is extinguished once bonds are issued, once bonds issued under authority of Section 49-d-11 are no longer outstanding by their terms, the authority under Section 49-d-11 to issue bonds in a like principal amount is restored.

Major Accounts within Development Fund II

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

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

Financial Assistance Bonds

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

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

The foregoing notwithstanding, the Board has issued Financial Assistance Bonds to augment the Water Infrastructure Fund. The Board anticipates that the Legislature will continue to appropriate general revenues of the State to support the payment

of debt service on Water Infrastructure Bonds until such time that program assets and revenues are sufficient to meet debt service requirements. See "**WATER ASSISTANCE BOND PROGRAM – Water Infrastructure Fund.**"

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

- (i) Money and Assets Attributable to bonds 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, 2016. See "**OTHER INFORMATION – Unaudited Financial Information.**"

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

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

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

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

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

State Participation Bonds

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

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

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

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

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

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

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

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

EDAP Bonds

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

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

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

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

"Money and Assets Attributable to Bonds" means:

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

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

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

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

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

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

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

Water Infrastructure Fund

No Water Infrastructure Bonds are being offered pursuant to this Official Statement. Section 49-d-9 requires that \$50,000,000 of the bonds authorized to be issued under Section 49-d-9 be used for the Water Infrastructure Fund, a special fund in the State Treasury established under Subchapter Q of Chapter 15 of the Texas Water Code to provide financial assistance to eligible Texas political subdivisions (the "Water Infrastructure Fund"). The Board met this requirement in 2008. Since 2007, the Legislature has authorized appropriations of money from the State's General Revenue Fund to support the payment of debt service on general obligation bonds issued for the Water Infrastructure Fund ("Water Infrastructure Bonds"). Appropriations of money from the State's General Revenue Fund are expected to be used to defray a portion of the debt service payable on the Water Infrastructure Bonds heretofore and hereafter issued by the Board.

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

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

TABLE 1: WATER ASSISTANCE BONDS

As of January 1, 2018

Constitutional Provision ⁽¹⁾	Purpose	Constitutionally Authorized Amount	Previously Issued	Amount Being Issued	Authorized But Unissued
Development Fund I					
Constitutional Provision	DFUND I	\$ 2,480,000,000	\$ 1,467,190,000	\$0	\$0 ⁽²⁾
Section 49-d-8 ⁽²⁾	DFUND II	1,012,810,000 ⁽²⁾	1,012,810,000 ⁽³⁾	0	0
Section 49-d-9	DFUND II	2,000,000,000 ⁽⁴⁾	2,000,000,000 ⁽⁵⁾	0	0
Section 49-d-10	DFUND II (EDAP)	250,000,000	196,507,620	0	53,492,380
Section 49-d-11 ⁽⁶⁾	DFUND II	6,000,000,000	26,595,000	45,590,000	5,927,815,000
Totals			<u>\$ 4,703,102,620</u>	<u>\$ 45,590,000</u>	<u>\$ 5,981,307,380</u>

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

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

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

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

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

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

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OTHER FINANCIAL ASSISTANCE PROGRAMS OF THE BOARD

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

Texas Agricultural Water Conservation Bond Program

Article III, Section 50-d of the Constitution (adopted in 1985) authorizes the Board to issue \$200,000,000 in general obligation Texas Agricultural Water Conservation Bonds. Subchapter J was added to Chapter 17 of the Texas Water Code, implementing the Agricultural Water Conservation Bond Program and creating the Agricultural Water Conservation Fund (the "Agriculture Fund").

Money in the Agriculture Fund may be used to provide grants to State agencies to fund conservation programs or conservation projects, provide grants or loans to certain political subdivisions for conservation programs or conservation projects, provide linked deposits to certain financial institutions for loans to certain entities and individuals for conservation projects, pay for the Board's conservation programs, pay costs of issuance for and debt service due on Texas Agricultural Water Conservation Bonds, and to pay the Board's related administrative expenses. Conservation programs, certain costs of which may be financed from the Agriculture Fund, include: (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.

TABLE 2: AGRICULTURE FUND GENERAL OBLIGATION BONDS

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

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

Revenue Bonds

The Board is authorized to issue an unlimited amount of revenue bonds to fund certain eligible projects. The Board has the authority to sell revenue bonds for the following purposes: (1) to finance the construction of water and wastewater projects of political subdivisions and nonprofit water supply corporations; (2) to provide interim financing to political subdivisions which are also receiving long term financing from the Board; (3) to provide the state matching funds for federal funds provided to the Clean Water State Revolving Fund ("CWSRF"), and the Drinking Water State Revolving Fund ("DWSRF"); (4) to provide funds for the State Water Implementation Revenue Fund of Texas ("SWIRFT"); and (5) to provide matching funds for any additional State revolving funds hereafter established by the Board to provide financial assistance to political subdivisions for public works in accordance with a federal capitalization grant program. The Board's revenue bonds do not constitute a debt of the State, and neither the full faith and credit nor the taxing authority of the State is in any manner pledged, given or loaned to the payment of the Board's revenue bonds. Further, the Board's revenue bonds are not secured by or payable from money in either Development Fund I or Development Fund II.

Clean Water State Revolving Fund

The State Revolving Fund Act, Title VI of the Federal Water Pollution Control Act of 1972, as amended by the Water Quality Act of 1987, as amended (the "Federal Act"), established a joint federal and state loan program (the "Federal Loan Program"). Under the Federal Loan Program, the United States Environmental Protection Agency ("USEPA") is authorized to make grants (the "SRF Capitalization Grants") to states to aid in providing financial assistance to municipalities; intermunicipal, interstate or state agencies; or other public entities eligible for assistance under the Federal Act (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. 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 (commonly referred to as the "Clean Water 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. Either form of assistance is referred to as a "loan." 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 CWSRF program with terms up to thirty (30) years from project completion, but in no event longer than the expected useful life of the project financed or refinanced by such loan.

Drinking Water State Revolving Fund

The Safe Drinking Water Act, 42 U.S.C. § 300 et seq., as reauthorized in 1986 and amended in 1996 (the "SDWA"), established national primary drinking water regulations to protect the safety of the public's drinking water. Under the SDWA, the USEPA is authorized to make grants ("DWSRF Capitalization Grants") to states to assist communities in meeting established drinking water standards. As a condition to receipt of a DWSRF Capitalization Grant, a state is required to establish a drinking water state revolving fund into which the DWSRF Capitalization Grant must be deposited, provide state matching funds at least equal to 20% of the DWSRF Capitalization Grant for deposit in the DWSRF and comply with certain other requirements of the SDWA. Historically, proceeds of Water Development Bonds and Financial Assistance Bonds have been used to provide all or a portion of such matching funds. 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. The Board makes loans (or purchases debt obligations) under the DWSRF program with terms up to thirty (30) years from project completion, but in no event longer than the expected useful life of the project financed or refinanced by such 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.

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

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

Section 49-d-12 provides that money in the SWIFT must be administered, without further appropriation, by the Board for the purpose of implementing the State Water Plan. In addition, Section 49-d-12 authorizes the Legislature to authorize the Board to enter into Bond Enhancement Agreements, payable solely from the SWIFT, to provide additional security for general obligation bonds or revenue bonds issued by the Board, the proceeds of which are used to finance State Water Plan projects, provided that the Bond Enhancement Agreements do not exceed the capacity of the SWIFT to fully support such agreements. Section 49-d-12 provides that the Legislature may authorize the Board to use the SWIFT to finance, including by direct loan, water projects included in the State Water Plan. Section 49-d-13, authorizes the Legislature to authorize the Board to issue bonds and enter into related credit agreements that are payable from revenues available to the SWIRFT. Obligations issued or incurred pursuant to Section 49-d-13 will be special obligations payable solely from amounts in the SWIRFT. Subchapter G of the Texas Water Code provides that the Board has legal title to the money and investments of the SWIFT to be used without further appropriation for the purpose of implementing the State Water Plan. Responsibility for the management and investment of the SWIFT is conferred on the Texas Treasury Safekeeping Trust Company (the "Trust Company"), which holds and invests the SWIFT for and in the name of the Board.

The Board may direct the Trust Company to enter into Bond Enhancement Agreements to provide a source of revenue or security for the payment of the principal of and interest on general obligation bonds or revenue bonds issued by the Board to finance or refinance projects included in the State Water Plan if the proceeds of the sale of the bonds have been or will be deposited to the credit of: (1) the SWIFT; (2) the SWIRFT; (3) the Rural Water Assistance Fund; (4) the State Participation Account; or (5) the Agriculture Fund. If the Trust Company enters into a Bond Enhancement Agreement, the Board may direct the Trust Company to make disbursements from the SWIFT to another fund or account for the support of bonds the proceeds of which are used to provide financial assistance in the forms described by Subchapter G, including loans bearing an interest rate of not less than 50% of

the then-current market rate of interest available to the Board, a deferral of loan repayment, and incremental repurchase terms for an acquired facility. At the direction of the Board, the Trust Company must make disbursements from the SWIRFT to another fund or account pursuant to a Bond Enhancement Agreement in the amounts the Board determines are needed for debt service payments on or security provisions of the Board's general obligation bonds or revenue bonds, after considering all other sources available for those purposes.

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

Rural Water Assistance Fund

Chapter 15, Subchapter R, of the Texas Water Code authorizes and governs the Rural Water Assistance Fund, which is a special fund in the State Treasury. The Rural Water Assistance Fund may be used, among other purposes, to (i) provide low interest loans to Rural Political Subdivisions for water or water related projects and for water quality enhancement projects, including the construction of infrastructure facilities for wholesale or retail water and sewer service, desalination projects, the purchase or lease of well water fields; the construction of infrastructure facilities for wholesale purchase or lease of rights to produce groundwater; onsite or wetland wastewater treatment facilities; and interim financing of construction projects, (ii) water projects in the State Water Plan (as defined below) or regional water plan or (iii) enable a Rural Political Subdivision to obtain water or wastewater service supplied by larger political subdivisions or to finance the consolidation or regionalization of neighboring political subdivisions, or both. The Rural Water Assistance Fund may also be used to (i) finance an outreach and technical assistance program to assist Rural Political Subdivisions in obtaining assistance through any source for a purpose described by subsection 15.994 of the Texas Water Code and (ii) buy down interest rates on loans or provide grants to Rural Political Subdivisions. A "Rural Political Subdivision" is a nonprofit water supply or sewer service corporation, district, or municipality with a service area of 10,000 or less in population; or that otherwise qualifies for financing from a federal agency; or a county in which no urban area exceeds 50,000 in population. The intent of the program is to provide tax-exempt equivalent financing to non-profit, water supply corporations which are considered by the Internal Revenue Service to be taxable entities.

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

Texas Water Resources Finance Authority

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

TEXAS WATER DEVELOPMENT BOARD

General

The Board is an agency of the State and was created by constitutional amendment in 1957. Its mission is to provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for Texas. The Board is responsible for long-range water planning in the State. The Board is primarily responsible for the State's financial programs associated with the water industry, including the establishment of policy for the financial programs.

The Board initially was given authorization to issue, as general obligations of the State, \$200,000,000 in Water Development Bonds for the "construction of dams, reservoirs and other water storage projects." Subsequent amendments to the Constitution and enabling legislation expanded the types of water-related facilities eligible for Board financial assistance to include all components of water supply, wastewater (sewage) conveyance and treatment, flood control, municipal solid waste management and agricultural water conservation projects. The Board may also execute contracts with any agency of the United States for the acquisition and development of storage facilities in the State and reservoirs constructed by the federal government, which contracts constitute general obligations of the State.

The primary focus of the Board prior to 1985 was to provide loans to assist communities that found it a hardship to obtain funding from other sources. Constitutional amendments and legislative changes implemented in 1985 broadened the eligibility criteria to include all eligible applicants and regional water, wastewater, municipal solid waste management, flood control projects, and water projects that involved the conversion from a ground water supply source to a surface supply. In 1987, with the creation of the CWSRF, all political subdivisions (no hardship or regional criteria required) became eligible to apply for financial assistance for wastewater treatment projects. In 1989, a constitutional amendment and legislation authorized the Board to provide loan and grant assistance to construct potable water supply and sanitary sewer systems in impoverished areas through the Economically Distressed Areas Program. The State has established the DWSRF to receive proceeds of certain federal grants, provide matching funds and make loans to political subdivisions and water supply corporations that facilitate compliance with the federal government's primary national drinking water regulations. In 2013, the voters of the State also approved a constitutional amendment which created the SWIFT and the SWIRFT, such funds to be administered by the Board for the purpose of implementing the State Water Plan. See "OTHER FINANCIAL ASSISTANCE PROGRAMS OF THE BOARD – State Water Implementation Fund for Texas and State Water Implementation Revenue Fund for Texas."

State Water Plan

Pursuant to Subchapter C of Chapter 16 of the Texas Water Code, the Legislature first directed the Board to prepare, develop, formulate, and adopt a comprehensive state water plan (the "State Water Plan") prior to January 2002. Thereafter, the Board has been responsible for preparing, developing, formulating and adopting a State Water Plan before the end of each successive five-year period after that date. The State Water Plan provides for and identifies projects in furtherance of the orderly development, management, and conservation of water resources and preparation for and response to drought conditions, in order that sufficient water will be available at a reasonable cost to ensure public health, safety and welfare, further economic development and protect the agricultural and natural resources of the entire State.

For purposes of developing the State Water Plan, the State is divided into 16 regional water planning areas. Each regional water planning group for each regional water planning area must prepare a regional water plan and submit the plan to the Board for approval by the Board, and for inclusion in the State Water Plan. The regional water planning groups shall submit their adopted regional water plans to the Board no later than January 5 of the year that is one year prior to the date the Board is to adopt the State Water Plan for the ensuing five-year period.

On adoption of the State Water Plan, the Board is required to deliver the State Water Plan to the Governor, the Lieutenant Governor and the Speaker of the Texas House of Representatives, and present the adopted State Water Plan for review to the appropriate legislative committees in the Legislature.

At its May 19, 2016 meeting, the Board unanimously approved the 2017 State Water Plan. The 2017 State Water Plan is available on the website of the Board at: <http://www.twdb.texas.gov/waterplanning/swp/2017/index.asp>.

Board Members

The members of the Board currently are:

Bech K. Bruun, Chairman. Mr. Bruun resigned from the Board on December 7th, 2017 to seek public office. Mr. Bruun continues to serve on the Board until his successor is duly qualified. Appointed to the Board by Governor Rick Perry effective September 1, 2013, and designated Chairman of the Board by Governor Greg Abbott effective June 10, 2015. Prior to his appointment to the Board, Mr. Bruun served on the senior staff of Governor Rick Perry's administration. Mr. Bruun has also worked as the government and customer relations manager for the Brazos River Authority. During the 81st Legislative Session, Mr. Bruun served as chief of staff to State Representative Todd Hunter (District 32) and as general counsel to the House Committee on Judiciary and Civil Jurisprudence. Mr. Bruun currently is a gubernatorial appointee to the Western States Water Council and the Texas Environmental Flows Advisory Group. He also serves as an ex-officio member of the Texas Farm and Ranch Lands Conservation Council. 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. He is a member of the State Bar of Texas. Mr. Bruun's term expires February 1, 2019.

Kathleen Jackson, Member. Appointed to the Board by Governor Rick Perry effective March 18, 2014, and reappointed to a new term by Governor Greg Abbott on March 9, 2017. Ms. Jackson has a diverse background representing agricultural, environmental, industrial and wholesale-supply interests, which includes developing and implementing water management strategies for Southeast Texas. As a registered professional engineer, Ms. Jackson served as public affairs manager for one of the world's largest petroleum and petrochemical producers. Additionally, she was involved in production agriculture with her late husband, who ran a cattle operation and farmed rice. She served as a past member of the Lower Neches Valley Authority Board of Directors, the Texas Water Conservation Association, and participated on the Sabine and Neches Rivers Bay and Estuary Environmental Flows Assessment Program Stakeholders Committee. She is also a board member and past president of the Lamar Institute of Technology Foundation, a sustaining member of the Junior League of Beaumont, a member of the Texas Farm Bureau, past president of the American Cancer Society of North Jefferson County, and a past board member of Junior Achievement of the

Golden Triangle. Ms. Jackson received a bachelor's degree in chemical engineering from North Carolina State University. Ms. Jackson's term expires on February 1, 2023.

Peter M. Lake, Member. Appointed to the Board by Governor Greg Abbott effective December 15, 2015. Mr. Lake has held a variety of financial roles in a number of industries. He served as director of research and head of automated trading at Gambit Trading, a member firm of the Chicago Board of Trade and the Chicago Mercantile Exchange, leading the firm's market research initiatives and directing the development of its first automated trading programs. He also traded interest rate derivatives, primarily focusing on U.S. Treasury bond futures. Additionally, Mr. Lake served as director of business development for Lake Ronel Oil Company, where he focused on financial analysis of upstream oil and gas opportunities. Mr. Lake was director of special operations for VantageCap Partners and played a key role in the due diligence, valuation and transactional aspects of the successful divestment of the firm's primary investment. Mr. Lake was born and raised in Tyler, Texas. He graduated with a bachelor of arts in public policy with a specialization in economics from the University of Chicago, and he earned a master's of business administration from Stanford University's Graduate School of Business. Mr. Lake's term expires February 1, 2021.

Board Governance

As reflected herein, Chairman Bruun has resigned from the Board but continues to serve until his successor is duly qualified. Pursuant to Texas Water Code Section 6.060, Mr. Lake will act for the Chairman pending the Governor designating a Board member to serve as Chairman.

Key Staff Members

Jeff Walker, Executive Administrator. Mr. Walker was named Executive Administrator of the TWDB on May 19, 2016. He has served in various positions at the TWDB for more than 25 years, including as an agricultural conservation specialist, a financial analyst, a non-point source coordinator, and director of Project Development. In his most recent role as deputy executive administrator of Water Supply and Infrastructure, his areas of responsibility included state water planning, project development, financial assistance, project funds disbursement, financial program administration, water use and population projections, facility needs assessment, project inspection, and reporting. Mr. Walker holds a Master of Business Administration from Texas State University and a Bachelor of Science in Agricultural Economics from Texas A&M University.

Amanda Lavin, Assistant Executive Administrator. Ms. Lavin has more than 25 years of experience in public financing of infrastructure projects in Texas. She previously served as assistant deputy for the office of Water Supply and Infrastructure and helped supervise the implementation of the SWIRFT program. Prior to joining the TWDB, Ms. Lavin was a financial advisor to various political subdivisions in the Austin and Houston areas.

Jessica Peña Zuba, Deputy Executive Administrator. Ms. Zuba joined the TWDB in July 2001. She was named the Deputy Executive Administrator of Water Supply and Infrastructure in May 2016. Prior to this role, she served as the director of Regional Water Planning and Development, which entailed managing six multi-disciplined regional teams that implement water and wastewater projects across the state. Her past positions at the TWDB also include team manager for the Northeast Region of the state and financial analyst. Ms. Zuba received a bachelor's degree in business administration with the distinction of magna cum laude from St. Edward's University.

Rebecca Trevino, Chief Financial Officer. Ms. Trevino joined the Board as its Chief Financial Officer in August 2016. Prior to this appointment, she served as the Deputy Chief Financial Officer for the Texas Health & Human Services Commission. Ms. Trevino has served in various financial leadership roles during her career, including that of Chief Financial Officer for the Texas Department of Assistive and Rehabilitative Services and the Texas Water Development Board. She holds a Bachelor of Business Administration degree in Accounting from The University of Texas at Austin and is a Certified Public Accountant.

Georgia Sanchez, Debt Portfolio Manager and Development Fund Manager. Ms. Sanchez joined the TWDB in March 2017. She previously served more than 23 years with the City of Austin, Texas in roles including Assistant Treasurer and Investment Officer, where she managed cash, investments, and debt programs, and Corporate Budget Manager overseeing the implementation of the city's Capital Improvements Plan. She holds a Bachelor of Business Administration degree in International Business from The University of Texas at Austin.

Todd Chenoweth, General Counsel. Mr. Chenoweth was appointed to serve as General Counsel effective February 1, 2017. Prior to that he served as Senior Advisor to Executive Management on a range of water issues. Mr. Chenoweth has been a member of the State Bar of Texas since 1976. He has served as an Assistant City Attorney, and an Assistant County Attorney. Since 1997, he has served in a variety of management and policy positions with the Texas Commission on Environmental Quality and the Texas Water Development Board. Mr. Chenoweth holds a bachelor's degree from Texas A&M University, a Masters of Public Administration degree from the John F. Kennedy School of Government at Harvard University, and a law degree from the University of Texas at Austin.

Limitation of Liability of Officials of the Board

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

Bond Review Board Approval

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

On December 20, 2017, the BRB approved the Bonds.

Sunset Review of the Board

The Board is subject to review, but not abolishment, under the Texas Sunset Act, Chapter 325, Texas Government Code (the "Sunset Act"), by the Sunset Advisory Commission (the "Commission"). The Board was most recently reviewed in 2011 and is subject to review every 12th year thereafter. The Legislature, however, is not prohibited from considering legislation addressing the programs performed by the Board prior to such date. Pursuant to the Sunset Act, the Commission is required to make recommendations to the Legislature regarding the reorganization, consolidation or transfer of programs administered by the Board. The Sunset Act further prohibits the Legislature from enacting legislation which would in any way affect the Board's continuing obligations, including those to the Holder of the Bonds pursuant to the Resolution.

GENERAL INFORMATION REGARDING THE STATE

Bond Appendix

The Comptroller prepares a quarterly appendix (the "Bond Appendix") which sets forth certain information regarding the State including its government, finances, economic profile and other matters for use by State entities when issuing debt. The most current Bond Appendix is dated November 2017, 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.

2016 State CAFR

The Texas 2016 Comprehensive Annual Financial Report for the year ended August 31, 2016 (the "2016 CAFR") is currently on file with the MSRB and may be obtained (i) using the MSRB's EMMA website, www.emma.msrb.org, by using the Quick Search function and entering the term "State of Texas Comptroller" or (ii) from the Comptroller's website at: http://www.texastransparency.org/State_Finance/Budget_Finance/Reports/Comprehensive_Annual_Financial/. The 2016 CAFR is incorporated by reference and made a part of this Official Statement as if set forth herein.

LEGAL MATTERS

Legal Opinion

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

opinion of Bond Counsel in the forms set forth in **APPENDIX C** to this Official Statement will accompany the Bonds deposited with DTC. Certain legal matters will be passed upon for the Underwriters by their counsel, Andrews Kurth Kenyon LLP, whose legal fee is contingent on the issuance and sale of the Bonds. Certain legal matters will be passed on for the Board by Bracewell LLP, Houston, Texas, Disclosure Counsel.

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

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

No-Litigation Certificate

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

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

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

Eligibility for Investment in Texas

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

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

Registration and Qualification of Bonds for Sale

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

TAX MATTERS

Tax Exemption

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

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

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

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

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

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

Tax Accounting Treatment of Discount and Premium on Certain Bonds

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

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

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

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

Continuing Disclosure Undertaking of the Board

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

Annual Reports. The Board will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes TABLES 1 and 2 of this Official Statement and the financial information and operating data in **APPENDIX B**. The Board will update and provide this information within 195 days after the end of each fiscal year ending in or after 2018.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's website or filed with the SEC, as permitted by SEC Rule 15c2-1 2 (the "Rule"). The updated information will include audited financial statements, if the Board or the State, as appropriate, commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Board will provide unaudited financial statements within the required time and audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with generally accepted accounting principles for governmental entities or such other accounting principles as the Board may be required to employ from time to time pursuant to State law or regulation.

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

Event Notices. The Board will notify the MSRB in a timely manner, not in excess of ten (10) Business Days (as defined in the Resolution) after the occurrence of any of the events listed below. The Board will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinion, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Board; (13) the consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) the appointment of a successor or additional Paying Agent/Registrar or the change of name of a Paying Agent/Registrar, if material. In addition, the Board will provide timely notice of any failure by the Board to provide information, data, or financial statements in accordance with its agreement described above under "**Continuing Disclosure Undertaking of the Board – Annual Reports.**" For the purposes of the event numbered 12 in the preceding paragraph, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Board in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board.

Continuing Disclosure Undertaking of the Comptroller

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

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

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

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

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

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

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

Availability of Information

The Board and the Comptroller have agreed to provide the foregoing financial and operating information only as described above. The Board and the Comptroller will be required to file their respective continuing disclosure information using the MSRB's EMMA system. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

With respect to its 2015 Continuing Disclosure Annual Report (the "2015 Report"), the Board inadvertently omitted listing the State of Texas Water Financial Assistance Bonds, Series 2015D (the "Series 2015D Bonds"), as an issue covered by the 2015 Report. The Board has taken steps to amend the 2015 Report to include the Series 2015D Bonds as a series covered by the 2015 Report, and has taken steps to affect future undertaking filings to include the Series 2015D Bonds.

OTHER INFORMATION

Ratings

Fitch Ratings, Moody's Investors Service, Inc. and S&P Global Ratings, a division of S&P Global Inc., have assigned ratings of "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 Bonds at a purchase price of \$69,476,328.95 (consisting of a principal amount of \$61,280,000.00, plus an original issue premium of \$8,409,372.10, and less an underwriting discount of \$213,043.15). The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased.

Academy Securities, Inc. (“Academy Securities”), one of the Underwriters, has entered into distribution agreements with TD Ameritrade Inc., Stoeber, Glass & Company Inc., BNY Mellon Capital Markets LLC, Commonwealth Financial Network, R. Seelaus & Co., Douglas & Co. Municipals, Inc., Lantern Investments, Inc., Ross, Sinclair & Associates, Inc., W.H. Mell Associates, Inc., Intercoastal Capital Markets, Inc., and Janney Montgomery Scott LLC for the retail distribution of certain municipal securities at the original issue prices. Pursuant to such distribution agreements, Academy Securities may share a portion of its underwriting compensation with these firms.

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

The Underwriters have furnished for inclusion in this Official Statement the following paragraphs of this subcaption. The Board makes no representation as to the accuracy or completeness of the information contained in the following paragraphs.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the State, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Board or the State.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

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

Unaudited Financial Information

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

Forward-Looking Statements

The statements contained in this Official Statement, and in any other information provided to the reader by the Board or incorporated by reference into this Official Statement that are not purely historical, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding the Board’s and the Comptroller’s expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Board and the Comptroller on the date of this Official Statement, the date of the Bond Appendix or the date of the 2016 CAFR, respectively, and the Board and the Comptroller assumes no obligation to update any such forward-looking statements. It is important to note that the Board’s and the Comptroller’s actual results could differ materially from those in such forward-looking statements.

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

Certification of Official Statement

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

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

Financial Advisor

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

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

Approval of Official Statement

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

TEXAS WATER DEVELOPMENT BOARD

Isl Jeff Walker

Executive Administrator
Texas Water Development Board

SCHEDULE I - SCHEDULE OF REFUNDED BONDS

All of the Refunded Bonds shown will be redeemed on January 26, 2018 at the price of par plus accrued interest to the redemption date.

**State of Texas
General Obligation Bonds
Water Financial Assistance Refunding Bonds,
Series 2015A
Subseries 2015A-2 (Variable Rate)**

Maturity Date		Principal
<u>(August 1)</u>	<u>Interest Rate (%)⁽¹⁾</u>	<u>Amount</u>
		<u>Refunded (\$)</u>
2018	variable	\$1,195,000
2019	variable	1,535,000
2020	variable	1,540,000
2021	variable	1,535,000
2022	variable	1,715,000
2023	variable	1,740,000
2024	variable	1,780,000
2025	variable	1,800,000
2026	variable	1,490,000
2027	variable	1,525,000
2028	variable	1,555,000
2029	variable	<u>1,585,000</u>
		<u>\$18,995,000</u>

⁽¹⁾ Initial Interest Rate was set at 2% until January 31, 2018.

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APPENDIX A

THE STATE OF TEXAS

The Bond Appendix dated November 2017, (the "Bond Appendix") is currently on file with the MSRB and is hereby incorporated by reference and made a part of this Official Statement. The Bond Appendix may be obtained (i) using the MSRB's EMMA website, www.emma.msrb.org, by using the Quick Search function and entering the term "State of Texas Comptroller" and (ii) from the Comptroller's website at: <http://www.comptroller.texas.gov/treasops/bond-appendix.php> until the Comptroller files a later version of such Bond Appendix.

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APPENDIX B

SELECTED FINANCIAL DATA (UNAUDITED)

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

August 31,

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

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

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

Texas Water Development Board

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

For the Fiscal Year Ended August 31,

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

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

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

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

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

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[Closing Date]

Norton Rose Fulbright US LLP
2200 Ross Avenue, Suite 2800
Dallas, Texas 75201-2784
United States

Tel +1 214 855 8000
Fax +1 214 855 8200
nortonrosefulbright.com

IN REGARD to the authorization and issuance of the “State of Texas Water Financial Assistance and Refunding Bonds, Series 2018A”, dated January 1, 2018, in the principal amount of \$61,280,000 (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 defeasance and discharge of the Board’s outstanding obligations being refunded by 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 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 (a) the Resolution and (b) sufficiency certification (the “Sufficiency Certificate”) from The Bank of New York Mellon Trust Company, N.A. (“the Bank”) verifying the sufficiency of the cash deposited with the Bank, (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:

Norton Rose Fulbright US LLP is a limited liability partnership registered under the laws of Texas.

Norton Rose Fulbright US LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright Canada LLP and Norton Rose Fulbright South Africa Inc are separate legal entities and all of them are members of Norton Rose Fulbright Verein, a Swiss verein. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients. Details of each entity, with certain regulatory information, are available at nortonrosefulbright.com

1. The Bonds have been duly authorized by the Board and, are valid, legally binding and enforceable general obligations of the State which made a continuing appropriation without the necessity of subsequent legislative appropriation of the first moneys coming into the Treasury in each fiscal year, not otherwise appropriated by the State Constitution, in 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. The outstanding obligations refunded, discharged, paid and retired with the proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held by the Bank for the payment of the principal of and interest on the outstanding obligations and in accordance with the provisions of Texas Government Code, Chapter 1207, as amended. In rendering this opinion, we have relied upon the Sufficiency Certificate as to the sufficiency of cash deposited with the Bank for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.
3. 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.

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APPENDIX D

SCHEDULE OF DEBT SERVICE REQUIREMENTS

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SCHEDULE OF DEBT SERVICE REQUIREMENTS

\$62,180,000
 State of Texas
 General Obligation Bonds
 Water Financial Assistance and Refunding Bonds,
 Series 2018A

<u>Fiscal Year</u>	<u>Total Existing Debt Service</u>	Less:		<u>Series 2018A</u>			<u>Total Debt Service</u>
		<u>Refunded Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>		
2018	\$ 104,649,424	\$ 377,845	\$ 5,225,000	\$ 1,554,547	\$ 6,779,547	\$ 111,051,125	
2019	111,073,580	1,889,220	5,520,000	2,747,550	8,267,550	117,451,910	
2020	110,283,695	1,863,674	5,715,000	2,526,750	8,241,750	116,661,771	
2021	108,912,912	1,828,028	5,965,000	2,241,000	8,206,000	115,290,884	
2022	99,864,402	1,977,481	7,905,000	1,942,750	9,847,750	107,734,671	
2023	93,590,846	1,968,353	5,760,000	1,547,500	7,307,500	98,929,993	
2024	92,441,537	1,973,727	6,040,000	1,259,500	7,299,500	97,767,311	
2025	84,418,174	1,958,305	6,345,000	957,500	7,302,500	89,762,369	
2026	83,197,519	1,612,485	3,195,000	640,250	3,835,250	85,420,284	
2027	81,564,368	1,617,834	3,360,000	480,500	3,840,500	83,787,034	
2028	77,675,649	1,617,486	3,050,000	312,500	3,362,500	79,420,663	
2029	78,924,477	1,616,542	3,200,000	160,000	3,360,000	80,667,936	
2030	72,589,061					72,589,061	
2031	71,719,824					71,719,824	
2032	62,051,675					62,051,675	
2033	62,167,956					62,167,956	
2034	57,388,601					57,388,601	
2035	57,446,010					57,446,010	
2036	56,369,882					56,369,882	
2037	61,966,045					61,966,045	
2038	61,990,935					61,990,935	
2039	69,385,862					69,385,862	
2040	56,702,541					56,702,541	
2041	56,885,997					56,885,997	
2042	25,321,295					25,321,295	
2043	25,515,395					25,515,395	
2044	25,306,000					25,306,000	
2045	<u>25,501,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,501,350</u>	
	\$ 1,974,905,012	\$ 20,300,976	\$ 61,280,000	\$ 16,370,347	\$ 77,650,347	\$ 2,032,254,382	

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APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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