

OFFICIAL STATEMENT

Dated June 21, 2023

Ratings:
Fitch: "AAA"
S&P: "AAA"
(See OTHER INFORMATION -
Ratings herein)

NEW ISSUES - Book-Entry-Only

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Tax-Exempt Bonds (defined below) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the Code). In the further opinion of Bond Counsel, interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Tax-Exempt Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel also observes that interest on the Taxable Series 2023D Bonds (defined below) is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS - TAX-EXEMPT BONDS" and "TAX MATTERS - TAXABLE SERIES 2023D BONDS" herein.

\$150,205,000

STATE OF TEXAS
GENERAL OBLIGATION BONDS



\$20,760,000

Water Financial Assistance
Bonds, Series 2023A

\$35,750,000

Water Financial Assistance
Refunding Bonds, Series 2023B

\$68,820,000

Water Financial Assistance
Bonds, Series 2023C

\$24,875,000

Water Financial Assistance
Bonds, Taxable Series 2023D

(Economically Distressed Areas Program) (Economically Distressed Areas Program)

Dated Date: Date of Delivery (as defined below)

Due: August 1, as shown on pages ii, iii, iv and v herein

The State of Texas Water Financial Assistance Bonds, Series 2023A (the Series 2023A Bonds), the State of Texas Water Financial Assistance Refunding Bonds, Series 2023B (the Series 2023B Bonds), the State of Texas Water Financial Assistance Bonds, Series 2023C (Economically Distressed Areas Program) (the Series 2023C Bonds, and collectively with the Series 2023A Bonds and the Series 2023B Bonds, the Tax-Exempt Bonds) and the State of Texas Water Financial Assistance Bonds, Taxable Series 2023D (Economically Distressed Areas Program) (the Taxable Series 2023D Bonds and collectively with the Tax-Exempt Bonds, the Bonds), are general obligations of the State of Texas (the State) and are issued by the Texas Water Development Board (the TWDB or the Board) under the authority of the Texas Constitution (the Constitution) and general laws of the State. Interest on the Bonds accrues from the Date of Delivery (as defined below) at the fixed rates of interest shown on pages ii, iii, iv, and v, respectively, herein and will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Series 2023A Bonds, the Series 2023B Bonds and the Taxable Series 2023D Bonds will be payable on February 1, 2024, and on each August 1 and February 1 thereafter until maturity or prior redemption. Interest on the Series 2023C Bonds will be payable on August 1, 2023, and on each February 1 and August 1 thereafter until maturity or prior redemption. The Bonds are issued only as fully registered bonds in denominations of \$5,000 principal amount or any integral multiple thereof. 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 – Series 2023A Bonds – Redemption Provisions", "THE BONDS – Series 2023B Bonds – Redemption Provisions", "THE BONDS – Series 2023C Bonds – Redemption Provisions", and "THE BONDS – Taxable Series 2023D 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 four separate Board resolutions (the 2023A Resolution, the 2023B Resolution, the 2023C Resolution, and the 2023D Resolution, respectively, and collectively, the Bond Resolutions), three of which were adopted by the Board on March 9, 2023, and the fourth of which was adopted by the Board on May 4, 2023. In the Bond Resolutions, the Board delegated to certain designated officials the authority to establish and approve the final terms of the sale of the Bonds through the execution of one or more approval certificates (the Bond Resolutions and such approval certificates are collectively referred to herein as the Resolutions). The Bonds are being issued pursuant to the Resolutions, and the Constitution and general laws of the State, including particularly Article III, Sections 49-d-8, 49-d-9, 49-d-10, 49-d-11, and 49-d-14, 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 purpose of conserving and developing the water resources of the State by (i) providing funds for the Financial Assistance Account for Water Assistance Projects or funds for the EDAP Account for EDAP Projects (each as defined herein); (ii) providing funds for the refunding of the Refunded Bonds (defined herein) for debt service savings, and (iii) providing funds for the payment of expenses arising in connection with the issuance of the Bonds. Capitalized terms not otherwise defined herein have the meanings given to said terms in the Resolutions.

SEE INSIDE COVER PAGES HEREIN FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE BONDS

The Bonds are offered for delivery when, as and if issued and accepted by the underwriters listed below (the Underwriters), subject to prior sale, withdrawal or modification of the offer without notice and are subject to the approving legal opinions of the Attorney General of the State, and Orrick, Herrington, & Sutcliffe LLP, Austin, Texas, Bond Counsel. Certain legal matters will be passed on for the Board by Bracewell LLP, Houston, Texas, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Greenberg Traurig, LLP, Houston, Texas. See "LEGAL MATTERS." The Bonds will be available for delivery, through the facilities of DTC, on or about July 6, 2023 (the Date of Delivery).

SIEBERT WILLIAMS SHANK & Co., LLC

BOK FINANCIAL SECURITIES, INC.

RAMIREZ & Co., INC.

WELLS FARGO SECURITIES

Maturity Schedule

\$20,760,000
STATE OF TEXAS
GENERAL OBLIGATION BONDS
Water Financial Assistance Bonds,
Series 2023A

CUSIP No. Prefix: 882724⁽⁴⁾

\$14,365,000
Serial Bonds

Stated Maturity (August 1) ⁽¹⁾⁽²⁾	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix: ⁽⁴⁾
2024	\$ 370,000	5.000%	3.100%	L88
2025	460,000	5.000%	2.990%	L96
2026	480,000	5.000%	2.880%	M20
2027	505,000	5.000%	2.800%	M38
2028	530,000	5.000%	2.760%	M46
2029	555,000	5.000%	2.760%	M53
2030	585,000	5.000%	2.760%	M61
2031	615,000	5.000%	2.750%	M79
2032	645,000	5.000%	2.750%	M87
2033	675,000	5.000%	2.810%	M95
2034	710,000	5.000%	2.860% ⁽³⁾	N29
2035	745,000	5.000%	2.980% ⁽³⁾	N37
2036	785,000	5.000%	3.100% ⁽³⁾	N45
2037	825,000	5.000%	3.240% ⁽³⁾	N52
2038	865,000	5.000%	3.330% ⁽³⁾	N60
2039	905,000	5.000%	3.380% ⁽³⁾	N78
2040	955,000	5.000%	3.450% ⁽³⁾	N86
2041	1,000,000	5.000%	3.510% ⁽³⁾	N94
2042	1,050,000	5.000%	3.540% ⁽³⁾	P27
2043	1,105,000	5.000%	3.560% ⁽³⁾	P35

\$6,395,000 5.000% Term Bonds maturing August 1, 2048⁽¹⁾⁽²⁾, initial yield 3.730% ⁽³⁾; CUSIP Suffix No. P43⁽⁴⁾

(Interest to accrue from the Date of Delivery)

⁽¹⁾ *Extraordinary Mandatory Redemption.* The Series 2023A Bonds are subject to extraordinary mandatory redemption prior to maturity as described under "THE BONDS – Extraordinary Mandatory Redemption."

⁽²⁾ *Optional Redemption.* The Series 2023A Bonds having stated maturities on and after August 1, 2034, are subject to redemption at the option of the Board, in whole or from the time to time in part, on August 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. The Series 2023 Bonds are subject to mandatory sinking fund redemption as set forth herein. See "THE BONDS – Series 2023A Bonds – Redemption Provisions – Optional Redemption" and "– Mandatory Sinking Fund Redemption."

⁽³⁾ Yield calculated based on the assumption that the Series 2023A Bonds denoted and sold at a premium will be redeemed on August 1, 2033, the first optional call date for such Series 2023A Bonds, at a redemption price of par, plus accrued interest to the redemption date.

⁽⁴⁾ CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the State, the Board, the Financial Advisor (as defined herein), or the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

Maturity Schedule

\$35,750,000

STATE OF TEXAS

GENERAL OBLIGATION BONDS

**Water Financial Assistance Refunding Bonds,
Series 2023B**

CUSIP No. Prefix: 882724⁽³⁾

Stated Maturity (August 1) ⁽¹⁾	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix: ⁽³⁾
2024	\$1,955,000	5.000%	3.100%	P50
2025	3,175,000	5.000%	2.990%	P68
2026	3,335,000	5.000%	2.870%	P76
2027	3,355,000	5.000%	2.790%	P84
2028	3,520,000	5.000%	2.800% ⁽²⁾	P92
2029	3,695,000	5.000%	2.880% ⁽²⁾	Q26
2030	3,875,000	5.000%	2.910% ⁽²⁾	Q34
2031	4,075,000	5.000%	2.940% ⁽²⁾	Q42
2032	4,275,000	5.000%	2.940% ⁽²⁾	Q59
2033	4,490,000	5.000%	2.990% ⁽²⁾	Q67

(Interest to accrue from the Date of Delivery)

⁽¹⁾ *Optional Redemption.* The Series 2023B Bonds having stated maturities on and after August 1, 2028, are subject to redemption at the option of the Board, in whole or from the time to time in part, on August 1, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See "THE BONDS – Series 2023B Bonds – Redemption Provisions – Optional Redemption."

⁽²⁾ Yield calculated based on the assumption that the Series 2023B Bonds denoted and sold at a premium will be redeemed on August 1, 2027, the first optional call date for such Series 2023B Bonds, at a redemption price of par, plus accrued interest to the redemption date.

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Maturity Schedule

\$68,820,000

STATE OF TEXAS

GENERAL OBLIGATION BONDS

Water Financial Assistance Bonds,

Series 2023C

(Economically Distressed Areas Program)

CUSIP No. Prefix: 882724⁽⁴⁾

Stated Maturity (August 1) ⁽¹⁾⁽²⁾	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix: ⁽⁴⁾
2023	\$5,270,000	5.000%	3.160%	Q75
2024	3,345,000	5.000%	3.090%	Q83
2025	3,345,000	5.000%	2.990%	Q91
2026	3,345,000	5.000%	2.870%	R25
2027	3,345,000	5.000%	2.790%	R33
2028	3,345,000	5.000%	2.750%	R41
2029	3,345,000	5.000%	2.750%	R58
2030	3,345,000	5.000%	2.750%	R66
2031	3,345,000	5.000%	2.750%	R74
2032	3,345,000	5.000%	2.750%	R82
2033	3,345,000	5.000%	2.790%	R90
2034	3,345,000	5.000%	2.840% ⁽³⁾	S24
2035	3,345,000	5.000%	2.960% ⁽³⁾	S32
2036	3,345,000	5.000%	3.060% ⁽³⁾	S40
2037	3,345,000	5.000%	3.180% ⁽³⁾	S57
2038	3,345,000	5.000%	3.290% ⁽³⁾	S65
2039	3,345,000	4.000%	3.820% ⁽³⁾	S73
2040	3,345,000	4.000%	3.870% ⁽³⁾	S81
2041	3,345,000	4.000%	3.930% ⁽³⁾	S99
2042	3,340,000	4.000%	3.960% ⁽³⁾	T23

(Interest to accrue from the Date of Delivery)

⁽¹⁾ *Extraordinary Mandatory Redemption.* The Series 2023C Bonds are subject to extraordinary mandatory redemption prior to maturity as described under "THE BONDS – Extraordinary Mandatory Redemption."

⁽²⁾ *Optional Redemption.* The Series 2023C Bonds having stated maturities on and after August 1, 2034, are subject to redemption at the option of the Board, in whole or from the time to time in part, on August 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See "THE BONDS – Series 2023C Bonds – Redemption Provisions – Optional Redemption."

⁽³⁾ Yield calculated based on the assumption that the Series 2023C Bonds denoted and sold at a premium will be redeemed on August 1, 2033, the first optional call date for such Series 2023C Bonds, at a redemption price of par, plus accrued interest to the redemption date.

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Maturity Schedule

\$24,875,000

**STATE OF TEXAS
GENERAL OBLIGATION BONDS
Water Financial Assistance Bonds,
Taxable Series 2023D
(Economically Distressed Areas Program)**

CUSIP No. Prefix: 882724⁽³⁾

**\$19,650,000
Serial Bonds**

<u>Stated Maturity (August 1)</u> ⁽¹⁾	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u> ⁽²⁾	<u>CUSIP No. Suffix:</u> ⁽³⁾
2024	\$ 1,310,000	5.273%	5.273%	J81
2025	1,310,000	5.000%	4.893%	J99
2026	1,310,000	5.000%	4.597%	K22
2027	1,310,000	5.000%	4.457%	K30
2028	1,310,000	5.000%	4.497%	K48
2029	1,310,000	5.000%	4.466%	K55
2030	1,310,000	5.000%	4.506%	K63
2031	1,310,000	5.000%	4.436%	K71
2032	1,310,000	5.000%	4.476%	K89
2033	1,310,000	5.000%	4.526%	K97
2034	1,310,000	4.616%	4.616%	L21
2035	1,310,000	4.716%	4.716%	L39
2036	1,310,000	4.786%	4.786%	L47
2037	1,310,000	4.846%	4.846%	L54
2038	1,310,000	4.896%	4.896%	L62

\$5,225,000 4.950% Term Bonds maturing August 1, 2042⁽¹⁾, initial yield 4.950% ⁽²⁾; CUSIP Suffix No. L70⁽³⁾

(Interest to accrue from the Date of Delivery)

⁽¹⁾ *Optional Redemption.* The Taxable Series 2023D Bonds having stated maturities on and after August 1, 2034, are subject to redemption at the option of the Board, in whole or from the time to time in part, on August 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. The Taxable Series 2023D Bonds are subject to mandatory sinking fund redemption as set forth herein. See "THE BONDS – Taxable Series 2023D Bonds – Redemption – Optional Redemption" and "- Mandatory Sinking Fund Redemption."

⁽²⁾ The initial yields are established by the Underwriters and are subject to change.

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SALE AND DISTRIBUTION OF THE BONDS

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

Use of Official Statement

The Series 2023A Bonds, Series 2023B Bonds, Series 2023C Bonds, and the Taxable Series 2023D Bonds are separate and distinct securities offered, issued and sold independently, except for use of this common Official Statement in connection with such offering and sale. While the Bonds share certain common attributes, each issue is separate from the other and each issue should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, and the rights of the holders. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

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

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

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

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

NONE OF THE STATE, THE BOARD, THE BOARD'S FINANCIAL ADVISOR OR THE UNDERWRITERS MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY (DTC) OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN FURNISHED BY DTC.

Marketability

THE BONDS ARE BEING OFFERED FOR SALE TO THE PUBLIC AT THE PRICES SHOWN ON PAGES ii, iii, iv and v 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. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. See "OTHER INFORMATION – Forward-Looking Statements" herein.

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TABLE OF CONTENTS

<p>INTRODUCTION 1</p> <p>PLAN OF FINANCE..... 1</p> <p style="padding-left: 20px;">Background 1</p> <p style="padding-left: 20px;">Use of Bond Proceeds..... 2</p> <p style="padding-left: 20px;">Refunded Bonds 2</p> <p style="padding-left: 20px;">Anticipated Issuance of General Obligation Additional Bonds 2</p> <p>SOURCES AND USES OF FUNDS 3</p> <p style="padding-left: 20px;">The Series 2023A Bonds..... 3</p> <p style="padding-left: 20px;">The Series 2023B Bonds..... 3</p> <p style="padding-left: 20px;">The Series 2023C Bonds..... 3</p> <p style="padding-left: 20px;">The Taxable Series 2023D Bonds 4</p> <p>THE BONDS..... 4</p> <p style="padding-left: 20px;">General Provisions..... 4</p> <p style="padding-left: 20px;">Series 2023A Bonds – Redemption Provisions..... 4</p> <p style="padding-left: 20px;">Series 2023B Bonds – Redemption Provisions 5</p> <p style="padding-left: 20px;">Series 2023C Bonds – Redemption Provisions 5</p> <p style="padding-left: 20px;">Taxable Series 2023D Bonds – Redemption Provisions ... 5</p> <p style="padding-left: 20px;">Extraordinary Mandatory Redemption..... 5</p> <p style="padding-left: 20px;">Selection of Tax-Exempt Bonds to be Redeemed 8</p> <p style="padding-left: 20px;">Selection of Taxable Series 2023D Bonds to be Redeemed..... 9</p> <p style="padding-left: 20px;">Notice of Redemption..... 9</p> <p style="padding-left: 20px;">Paying Agent/Registrar..... 9</p> <p>SECURITY AND SOURCES OF PAYMENT FOR THE BONDS 10</p> <p style="padding-left: 20px;">General Obligation Pledge..... 10</p> <p style="padding-left: 20px;">Perfection of Security 10</p> <p style="padding-left: 20px;">Other Sources of Payment 10</p> <p style="padding-left: 20px;">Enforcement of Payment 10</p> <p style="padding-left: 20px;">Defeasance 10</p> <p style="padding-left: 20px;">Amendment of Resolutions With Consent of Registered Owners..... 11</p> <p style="padding-left: 20px;">Amendment of Resolutions Without Consent of Registered Owners..... 11</p> <p>WATER ASSISTANCE BOND PROGRAM 12</p> <p style="padding-left: 20px;">Development Fund I 12</p> <p style="padding-left: 20px;">Development Fund II..... 12</p> <p style="padding-left: 20px;">Major Accounts within Development Fund II..... 13</p> <p style="padding-left: 20px;">Financial Assistance Bonds 13</p> <p style="padding-left: 20px;">EDAP Bonds 15</p> <p style="padding-left: 20px;">State Participation Bonds..... 16</p> <p style="padding-left: 20px;">Water Infrastructure Fund..... 17</p> <p>TABLE 1: WATER ASSISTANCE BONDS 18</p> <p>OTHER FINANCIAL ASSISTANCE PROGRAMS OF THE BOARD 18</p> <p style="padding-left: 20px;">Texas Agricultural Water Conservation Bond Program.. 18</p> <p>TABLE 2: AGRICULTURE FUND GENERAL OBLIGATION BONDS 18</p> <p style="padding-left: 20px;">Flood Infrastructure Fund 19</p> <p style="padding-left: 20px;">Revenue Bonds..... 19</p> <p style="padding-left: 20px;">State Water Pollution Control Revolving Fund..... 19</p> <p style="padding-left: 20px;">State Safe Drinking Water Revolving Fund..... 19</p> <p style="padding-left: 20px;">State Water Implementation Fund for Texas Program 20</p> <p style="padding-left: 20px;">Rural Water Assistance Fund..... 21</p> <p style="padding-left: 20px;">Texas Water Resources Finance Authority 21</p>	<p>TEXAS WATER DEVELOPMENT BOARD 22</p> <p style="padding-left: 20px;">General 22</p> <p style="padding-left: 20px;">State Water Plan..... 22</p> <p style="padding-left: 20px;">Board Members..... 22</p> <p style="padding-left: 20px;">Key Staff Members 23</p> <p style="padding-left: 20px;">Limitation of Liability of Officials of the Board..... 24</p> <p style="padding-left: 20px;">Bond Review Board Approval 24</p> <p style="padding-left: 20px;">COVID-19 24</p> <p style="padding-left: 20px;">Cybersecurity 24</p> <p style="padding-left: 20px;">Sunset Review of the Board 24</p> <p style="padding-left: 20px;">2023 Legislative Session..... 24</p> <p>GENERAL INFORMATION REGARDING THE STATE 25</p> <p style="padding-left: 20px;">Available Information 25</p> <p style="padding-left: 20px;">Constitutional Limitation on Debt..... 25</p> <p>LEGAL MATTERS 25</p> <p style="padding-left: 20px;">Legal Opinions..... 25</p> <p style="padding-left: 20px;">No-Litigation Certificate 26</p> <p style="padding-left: 20px;">Eligibility for Investment in Texas 65</p> <p style="padding-left: 20px;">Registration and Qualification of Bonds for Sale 26</p> <p>TAX MATTERS – TAX-EXEMPT BONDS 26</p> <p>TAX MATTERS – TAXABLE SERIES 2023D BONDS 28</p> <p style="padding-left: 20px;">U.S. Holders..... 28</p> <p style="padding-left: 20px;">Foreign Account Tax Compliance Act (FATCA) – U.S. Holders and Non-U.S. Holders..... 29</p> <p>CONTINUING DISCLOSURE OF INFORMATION..... 30</p> <p style="padding-left: 20px;">Continuing Disclosure Undertaking of the Board..... 30</p> <p style="padding-left: 20px;">Continuing Disclosure Undertaking of the Comptroller..... 30</p> <p style="padding-left: 20px;">Availability of Information 31</p> <p style="padding-left: 20px;">Limitations and Amendments 31</p> <p>OTHER INFORMATION..... 32</p> <p style="padding-left: 20px;">Ratings 32</p> <p style="padding-left: 20px;">Underwriting..... 32</p> <p style="padding-left: 20px;">Unaudited Financial Information 33</p> <p style="padding-left: 20px;">Forward-Looking Statements 33</p> <p style="padding-left: 20px;">Certification of Official Statement..... 33</p> <p style="padding-left: 20px;">Verification of Arithmetical and Mathematical Computations..... 33</p> <p style="padding-left: 20px;">Financial Advisor 34</p> <p style="padding-left: 20px;">Website References 34</p> <p style="padding-left: 20px;">Approval of Official Statement..... 34</p> <p>SCHEDULE I - SCHEDULE OF REFUNDED BONDS</p> <p>APPENDIX A THE STATE OF TEXAS A-1</p> <p>APPENDIX B SELECTED FINANCIAL DATA (UNAUDITED) B-1</p> <p>APPENDIX C PROPOSED FORMS OF BOND COUNSEL OPINIONS..... C-1</p> <p>APPENDIX D SCHEDULE OF DEBT SERVICE REQUIREMENTS D-1</p> <p>APPENDIX E BOOK-ENTRY-ONLY SYSTEM.....E-1</p>
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TEXAS WATER DEVELOPMENT BOARD

<u>Members</u>	<u>Term Expiration</u>
Brooke T. Paup, Chairwoman	February 1, 2025
George B. Peyton V., Member	February 1, 2027
L'Oreal Stepney, Member	February 1, 2029

KEY STAFF MEMBERS

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

BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP
Austin, Texas

FINANCIAL ADVISOR

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

DISCLOSURE COUNSEL

Bracewell LLP
Houston, Texas

PAYING AGENT/REGISTRAR

The Bank of New York Mellon Trust Company, N.A.
Dallas, Texas

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

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OFFICIAL STATEMENT

relating to

\$150,205,000

STATE OF TEXAS

GENERAL OBLIGATION BONDS

\$20,760,000	\$35,750,000
Water Financial Assistance Bonds, Series 2023A	Water Financial Assistance Refunding Bonds, Series 2023B
\$68,820,000	\$24,875,000
Water Financial Assistance Bonds, Series 2023C (Economically Distressed Areas Program)	Water Financial Assistance Bonds, Taxable Series 2023D (Economically Distressed Areas Program)

INTRODUCTION

The general obligation bonds of the State of Texas (the State) offered by the Texas Water Development Board (the Board or TWDB) hereby, acting on behalf of the State, are (i) the State of Texas Water Financial Assistance Bonds, Series 2023A (the Series 2023A Bonds), (ii) the State of Texas Water Financial Assistance Refunding Bonds, Series 2023B (the Series 2023B Bonds), (iii) the State of Texas Water Financial Assistance Bonds, Series 2023C (Economically Distressed Areas Program), (the Series 2023C Bonds and collectively with the Series 2023A Bonds and the Series 2023B Bonds, the Tax-Exempt Bonds), and (iv) the State of Texas Water Financial Assistance Bonds, Taxable Series 2023D (Economically Distressed Areas Program) (the Taxable Series 2023D Bonds and collectively with the Tax-Exempt Bonds, the Bonds). The Bonds, together with other general obligation bonds 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), 49-d-11 (Section 49-d-11) and 49-d-14 (Section 49-d-14) of the Texas Constitution (the Constitution) to augment the funding of the Texas Water Development Fund II, a fund within the State Treasury (Development Fund II), are referred to herein collectively sometimes as the “Water Assistance Bonds.” The Series 2023A Bonds and the Series 2023B Bonds, together with other Water Assistance Bonds issued or to be issued in the future for the Financial Assistance Account of Development Fund II (the Financial Assistance Account), are referred to sometimes herein as the “Financial Assistance Bonds.” The Series 2023C Bonds and the Taxable Series 2023D Bonds, together with other Water Assistance Bonds issued or to be issued in the future for the Economically Distressed Areas Program Account of Development Fund II (the EDAP Account) are referred to sometimes herein as the “EDAP Bonds.” The debt service schedules for the Financial Assistance Bonds and the EDAP Bonds that will be outstanding upon the issuance of the Bonds are attached hereto as APPENDIX D.

The Bonds are being issued pursuant to (i) four separate resolutions (the 2023A Resolution, the 2023B Resolution, the 2023C Resolution, and the 2023D Resolution, respectively, and collectively, the Bond Resolutions), three of which were adopted by the Board on March 9, 2023, and the fourth of which was adopted by the Board on May 4, 2023, and (ii) the Constitution and general laws of the State, including particularly Sections 49-d-8, 49-d-9, 49-d-10, 49-d-11, and 49-d-14, Subchapter L of Chapter 17 of the Texas Water Code, as amended (the Act), Chapter 1207, Texas Government Code, as amended (Chapter 1207) and Chapter 1371, Texas Government Code, as amended (Chapter 1371). The Bond Resolutions delegate to authorized representatives of the Board the authority to complete the sale of the Bonds pursuant to the terms of one or more approval certificates (collectively, the Approval Certificate and together with the Bond Resolutions, the Resolutions), and one or more bond purchase agreements entered into with respect to the Bonds (collectively, the Purchase Agreement) between the Board and the underwriters listed on the cover page hereto (the Underwriters). Capitalized terms not otherwise defined herein have the meanings given to said terms in the Resolutions.

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 6, 2007, voters approved Proposition 16, which added Section 49-d-10, and authorizes the Board to issue additional general obligation bonds to augment the EDAP Account of Development Fund II in an amount not to exceed \$250 million. On November 8, 2011, voters approved Proposition 2, which added Section 49-d-11, and authorizes the Board to issue additional general obligation bonds for one or more accounts of Development Fund II in amounts such that the aggregate principal amount of bonds issued under Section 49-d-11 that are outstanding at any time does not exceed \$6 billion. On November 5, 2019, voters approved Proposition 2, which added Section 49-d-14, and authorizes the Board to issue additional

general obligation bonds for the EDAP Account of Development Fund II in amounts such that the aggregate principal amount of bonds issued under Section 49-d-14 that are outstanding at any time does not exceed \$200 million.

The Bonds are being issued as Water Assistance Bonds pursuant to the constitutional authority provided by Sections 49-d-8, 49-d-9, 49-d-10, 49-d-11, and 49-d-14.

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

Use of Bond Proceeds

The Bonds are being issued for the purpose of conserving and developing the water resources of the State by (i) providing funds for the Financial Assistance Account for Water Assistance Projects (defined herein) or funds for the EDAP Account for EDAP Projects (defined herein), (ii) providing funds for the refunding of the Refunded Bonds (defined herein) for debt service savings; and (iii) providing funds for the payment of expenses arising in connection with the issuance of the Bonds. The combined principal amount of all Series 2023A Bonds issued pursuant to the 2023A Resolution shall not exceed \$50,000,000. The aggregate principal amount of all Series 2023B Bonds issued pursuant to the 2023B Resolution shall not exceed the aggregate principal amount of the Refunded Bonds (defined below). The aggregate principal amount of all Series 2023C Bonds and Taxable Series 2023D Bonds issued pursuant to the 2023C Resolution and 2023D Resolution, respectively, shall not exceed \$100,000,000. The authority to sell the Bonds under the terms of each Bond Resolution expires six months after the adoption of such Bond Resolution.

Refunded Bonds

The bonds described in Schedule I to this Official Statement (the Refunded Bonds), and interest due thereon, are anticipated to be paid on the date or dates described in Schedule I to this Official Statement (collectively, the Redemption Date) from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as escrow agent (the Escrow Agent). The principal and interest due on the Refunded Bonds are to be paid on the Redemption Date, from funds to be deposited pursuant to one or more escrow agreements (collectively, the Escrow Agreement) between the Board and the Escrow Agent. The 2023B Resolution provides that from the proceeds of the sale of the Series 2023B Bonds, the Board will deposit with the Escrow Agent an amount which, together with the Escrowed Securities (defined below) purchased with a portion of the proceeds of the Series 2023B Bonds and the interest to be earned on such Escrowed Securities, will be sufficient to accomplish the discharge and final payment of the Refunded Bonds on the Redemption Date. Such funds will be held by the Escrow Agent in one or more special escrow accounts (collectively, the Escrow Fund) and used to purchase securities (the Escrowed Securities) authorized by State law and the resolution authorizing the Refunded Bonds to defease the Refunded Bonds. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds. See "SCHEDULE I – SCHEDULE OF REFUNDED BONDS."

The Verification Agent (defined herein) will verify as of the Date of Delivery the mathematical accuracy of the schedules that demonstrate that the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. See "OTHER INFORMATION – Verification of Arithmetical and Mathematical Computations." Such maturing principal of and interest on the Escrowed Securities will not be available to pay the Series 2023B Bonds. By the deposit of cash and Escrowed Securities with the Escrow Agent pursuant to the terms of the Escrow Agreement, the Board will have entered into firm banking and financing arrangements for the discharge and final payment of the Refunded Bonds in accordance with applicable law and the Refunded Bonds will be deemed to be fully paid and no longer outstanding except for the purposes of being paid from funds held by the Escrow Agent in the Escrow Fund.

Anticipated Issuance of General Obligation Additional Bonds

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

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SOURCES AND USES OF FUNDS

The Series 2023A Bonds

The proceeds from the sale of the Series 2023A Bonds will be applied approximately as follows:

Sources

Principal Amount	\$ 20,760,000.00
Premium	2,600,862.85
Total	<u>\$ 23,360,862.85</u>

Uses

Deposit to Financial Assistance Account	\$ 23,200,000.00
Costs of Issuance ⁽¹⁾	85,553.72
Underwriters' Discount	75,309.13
Total	<u>\$ 23,360,862.85</u>

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

The Series 2023B Bonds

The proceeds from the sale of the Series 2023B Bonds and available funds of the Board, if any, will be applied approximately as follows:

Sources

Principal Amount	\$ 35,750,000.00
Premium	2,557,618.95
Debt Service Fund Transfer	874,321.88
Total	<u>\$ 39,181,940.83</u>

Uses

Deposit to Escrow Fund	\$ 38,939,633.23
Costs of Issuance ⁽¹⁾	131,634.09
Underwriters' Discount	110,673.51
Total	<u>\$ 39,181,940.83</u>

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

The Series 2023C Bonds

The proceeds from the sale of the Series 2023C Bonds will be applied approximately as follows:

Sources

Principal Amount	\$ 68,820,000.00
Premium	6,637,541.05
Total	<u>\$ 75,457,541.05</u>

Uses

Deposit to the EDAP Account	\$ 75,000,000.00
Costs of Issuance ⁽¹⁾	243,125.26
Underwriters' Discount	214,415.79
Total	<u>\$ 75,457,541.05</u>

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

The Taxable Series 2023D Bonds

The proceeds from the sale of the Taxable Series 2023D Bonds will be applied approximately as follows:

Sources	
Principal Amount	\$ 24,875,000.00
Premium	298,811.00
Total	<u>\$ 25,173,811.00</u>
Uses	
Deposit to the EDAP Account	\$ 25,000,000.00
Costs of Issuance ⁽¹⁾	91,067.26
Underwriters' Discount	82,743.74
Total	<u>\$ 25,173,811.00</u>

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

THE BONDS

General Provisions

The Bonds will be issued only as fully registered bonds, in denominations of \$5,000 principal amount or any integral multiple thereof (an Authorized Denomination). Interest on the Bonds accrues from the Date of Delivery at the respective per annum rates for each maturity of Bonds of each series as shown on pages ii, iii, iv and v, respectively, hereof and will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Series 2023A Bonds, the Series 2023B Bonds, and the Taxable Series 2023D Bonds is payable on February 1, 2024, and on each August 1 and February 1 thereafter until maturity or prior redemption. Interest on the Series 2023C Bonds is payable on August 1, 2023, and on each February 1 and August 1 thereafter until maturity or prior redemption. The Bonds mature on August 1 in the years and in the principal amounts set forth on pages ii, iii, iv and v 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 Authorized Denominations. 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 is 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 (defined herein); *provided, however*, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described in APPENDIX E to this Official Statement. When the Bonds are not in the book-entry-only system, interest on the Bonds will be paid to registered owners shown on the registration books kept by the Paying Agent/Registrar at the close of business on the fifteenth calendar day of the month next preceding such interest payment date (the Record Date).

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

Series 2023A Bonds – Redemption Provisions

Extraordinary Mandatory Redemption. The Series 2023A Bonds are subject to extraordinary mandatory redemption prior to maturity as described below under "THE BONDS – Extraordinary Mandatory Redemption."

Optional Redemption. The Series 2023A Bonds having stated maturities on and after August 1, 2034, are subject to redemption at the option of the Board, in whole or from time to time in part, on August 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption. The Series 2023A Bonds scheduled to mature on August 1, 2048 are also subject to mandatory sinking fund redemption prior to their scheduled maturity at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, on the dates and in the respective principal amounts, set forth in the following schedule:

2023A Term Bonds Maturity August 1, 2048	
Mandatory Redemption	Principal Amount
August 1, 2044	\$ 1,160,000
August 1, 2045	1,215,000
August 1, 2046	1,275,000
August 1, 2047	1,340,000
August 1, 2048 ⁽¹⁾	1,405,000

⁽¹⁾ Stated Maturity.

Series 2023B Bonds – Redemption Provisions

Optional Redemption. The Series 2023B Bonds having stated maturities on and after August 1, 2028, are subject to redemption at the option of the Board, in whole or from time to time in part, on August 1, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

Series 2023C Bonds – Redemption Provisions

Extraordinary Mandatory Redemption. The Series 2023C Bonds are subject to extraordinary mandatory redemption prior to maturity as described below under "THE BONDS – Extraordinary Mandatory Redemption."

Optional Redemption. The Series 2023C Bonds having stated maturities on and after August 1, 2034, are subject to redemption at the option of the Board, in whole or from time to time in part, on August 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

Taxable Series 2023D Bonds – Redemption Provisions

Optional Redemption. The Taxable Series 2023D Bonds having stated maturities on and after August 1, 2034, are subject to redemption at the option of the Board, in whole or from time to time in part, on August 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption. The Taxable Series 2023D Bonds scheduled to mature on August 1, 2042 are also subject to mandatory sinking fund redemption prior to their scheduled maturity at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, on the dates and in the respective principal amounts, set forth in the following schedule:

2023D Term Bonds Maturity August 1, 2042	
Mandatory Redemption	Principal Amount
August 1, 2039	\$ 1,310,000
August 1, 2040	1,305,000
August 1, 2041	1,305,000
August 1, 2042 ⁽¹⁾	1,305,000

⁽¹⁾ Stated Maturity.

Extraordinary Mandatory Redemption

General. Section 149(f) of the Internal Revenue Code of 1986 (the Code) imposes certain requirements on bonds issued by state and local governments for pooled financing programs, such as the Series 2023A Bonds and the Series 2023C Bonds, in order for the interest to be and remain exempt from federal income taxation. One such requirement mandates the redemption of bonds in circumstances in which the bond proceeds are not used to make loans within certain prescribed periods. In particular, section 149(f) of the Code requires the following: the issuer (i) must reasonably expect that, within the one-year period beginning on the date of issue, at least 30 percent of the net proceeds of the issue will be used directly or indirectly to make loans (the One-Year Computation Period); and (ii) must redeem outstanding bonds within 90 days after the end of such one-year period to the

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

At the date of issuance of the Series 2023A Bonds and the Series 2023C Bonds, a portion of the proceeds of the Series 2023A Bonds and the Series 2023C Bonds will be held by the Board and applied from time to time after the issuance of the Series 2023A Bonds and the Series 2023C Bonds to fund loans for Water Assistance Projects and EDAP Projects, respectively. See "SOURCES AND USES OF FUNDS." The Board reasonably expects to expend more than 30 percent and 95 percent of such proceeds, during the one-year and three-year periods, respectively. To comply with the foregoing requirement in the event these expectations are not achieved by the Board, the Series 2023A Bonds and the Series 2023C Bonds are subject to extraordinary mandatory redemption at the end of the one-year and three-year periods as required by section 149(f) of the Code. To the extent proceeds of the Series 2023A Bonds or the Series 2023C Bonds are held by the Board to fund loans and are not expended within such one-year or three-year periods, any such unexpended proceeds will be used to redeem the Series 2023A Bonds or the Series 2023C Bonds as further described below. In accordance with section 149(f)(7) of the Code, only the portion of the proceeds of the Series 2023A Bonds and the Series 2023C Bonds that is reasonably expected, as of the respective issue date of the Series 2023A Bonds and the Series 2023C Bonds, to be used to originate loans to political subdivisions is subject to the redemption requirements set forth in section 149(f) of the Code.

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

Bond Series	Par Amount	Delivery Date	Attainment of 1-year/30% requirement	Attainment of 3-year/95% requirement
2008A (Water Infrastructure Fund)	\$112,920,000	05/22/08	07/24/08	03/30/09
2009A (Water Infrastructure Fund)	144,995,000	03/10/09	03/30/09	04/29/09
2009B (Water Infrastructure Fund)	157,240,000	05/28/09	09/22/09	01/15/10
2009C-1	225,385,000	06/30/09	07/06/09	03/24/11
2009E (Water Infrastructure Fund)	101,400,000	12/15/09	12/29/09	10/14/10
2009F (Economically Distressed Areas Program)	24,540,000	12/15/09	12/29/09	01/11/11
2010B (Water Infrastructure Fund)	143,225,000	05/11/10	06/22/10	12/02/10
2010C (State Participation Program)	42,280,000	05/11/10	05/28/10	05/28/10
2011A (Water Infrastructure Fund)	129,540,000	06/14/11	08/23/11	08/23/11
2011B	92,255,000	10/04/11	12/14/11	06/08/12
2012A (Water Infrastructure Fund)	39,930,000	02/07/12	03/29/12	04/04/12
2012B (Economically Distressed Areas Program)	14,955,000	02/07/12	09/11/12	11/01/12
2012C	149,645,000	04/10/12	06/08/12	06/08/12
2012F (Economically Distressed Areas Program)	29,385,000	09/05/12	11/01/12	03/05/13
2012G	156,065,000	10/02/12	11/21/12	11/21/12
2013A (Water Infrastructure Fund)	42,470,000	02/12/13	05/07/13	05/07/13
2013B	56,515,000	08/01/13	09/25/13	12/18/14
2015E (Economically Distressed Areas Program)	43,715,000	06/18/15	06/26/15	10/28/15
2015F	37,790,000	06/18/15	06/26/15	10/28/15
2016A (Economically Distressed Areas Program)	45,735,000	04/19/16	07/12/16	07/18/16
2016B Subseries 2016 B-1*	58,555,000	07/14/16	08/18/16	06/29/17
2017A*	53,815,000	06/20/17	06/29/17	11/03/17
2018A*	61,280,000	01/25/18	03/01/18	12/19/18
2019A (Economically Distressed Areas Program)	41,325,000	02/20/19	04/23/19	04/25/19
2021A	31,270,000	09/28/21	10/13/21	10/13/21
2022A	93,865,000	05/10/22	06/21/22	08/02/22

* Includes amount for refunding purposes

As described in the foregoing table, all of the proceeds of the Pooled Financing Bonds have been used to make loans prior to the expiration of the one-year and three-year periods prescribed by section 149(f) of the Code. The information provided regarding the previously issued Pooled Financing Bonds is provided as a reference and should not be used to project future performance by the Board with regard to the Series 2023A and the Series 2023C Bonds. Results may differ in connection with the use of proceeds of the Series 2023A and the Series 2023C Bonds.

Extraordinary Mandatory Redemption Provisions of Series 2023A Bonds. The Series 2023A Bonds maturing on and after August 1, 2025, are subject to extraordinary mandatory redemption prior to their scheduled maturities on August 20, 2024 (the One-Year Extraordinary Mandatory Redemption), in an amount equal to the Computation Amount (defined herein) applicable to the One-Year Computation Period for the Series 2023A Bonds, plus accrued interest to the date of such extraordinary redemption at the redemption prices set forth below (approximately 102% of the amortized issue price for each maturity of the

Series 2023A Bonds), expressed as percentages of the principal amount of each maturity of the Series 2023A Bonds so redeemed. The Series 2023A Bonds maturing on and after August 1, 2027, are subject to extraordinary mandatory redemption prior to their scheduled maturities on August 20, 2026 (the Three-Year Extraordinary Mandatory Redemption), in an amount equal to the Computation Amount applicable to the Three-Year Computation Period for the Series 2023A Bonds, plus accrued interest to the date of such extraordinary redemption at the redemption prices set forth below (approximately 102% of the amortized issue price for each maturity of the Series 2023A Bonds), expressed as percentages of the principal amount of each maturity of the Series 2023A Bonds so redeemed.

Extraordinary Mandatory Redemption Price (%)

CUSIP No. Prefix: 882724

Maturity (August 1)	On August 20, 2024	On August 20, 2026	CUSIP Suffix
2025	103.898	-	L96
2026	106.064	-	M20
2027	108.304	104.081	M38
2028	110.487	106.300	M46
2029	112.496	108.423	M53
2030	114.450	110.487	M61
2031	116.422	112.546	M79
2032	118.281	114.510	M87
2033	119.561	116.007	M95
2034	119.122	115.663	N29
2035	118.075	114.842	N37
2036	117.040	114.027	N45
2037	115.844	113.085	N52
2038	115.085	112.485	N60
2039	114.664	112.153	N78
2040	114.080	111.690	N86
2041	113.581	111.295	N94
2042	113.332	111.098	P27
2043	113.168	110.968	P35
***	***	***	***
2048	111.776	109.861	P43

The 2023A Resolution defines "Computation Amount" as surplus proceeds (rounded to the next higher \$5,000 denomination) equal to the remainder of (A) thirty percent (30%) of the net proceeds less proceeds of the Series 2023A Bonds directly or indirectly used to make loans to political subdivisions as of the last day of the One-Year Computation Period (but not less than zero) or (B) ninety-five percent (95%) of the net proceeds less the proceeds of the Series 2023A Bonds directly or indirectly used to make loans to political subdivisions as of the last day of the Three-Year Computation Period (but not less than zero).

Following the earlier of (i) the 90th day after the Three-Year Computation Period for the Series 2023A Bonds and (ii) the date on which 95 percent of the proceeds of the Series 2023A Bonds have been used to make loans, if such date occurs prior to the end of the Three-Year Computation Period for the Series 2023A Bonds, the Series 2023A Bonds shall not be subject to extraordinary mandatory redemption.

The foregoing notwithstanding, the Series 2023A Bonds are not subject to such extraordinary mandatory redemption if the Board obtains an opinion of nationally recognized bond counsel to the effect that, if the Board does not cause the extraordinary mandatory redemption to occur, it will not adversely affect the excludability of interest on the Series 2023A Bonds from gross income for federal income tax purposes.

For purposes of the One-Year Extraordinary Mandatory Redemption and the Three-Year Extraordinary Mandatory Redemption, as the case may be, the Series 2023A Bonds that are subject to such redemption will be selected on a "Pro Rata Basis" (defined below); provided, that if any amount required to be redeemed remains after such selection, such remaining amount will be applied to the redemption of \$5,000 principal amount of each maturity of the Series 2023A Bonds in inverse order of maturity. The term "Pro Rata Basis" means that the principal amount of a particular maturity will be determined by multiplying the Computation Amount by the ratio which the principal amount of Series 2023A Bonds of such maturity then outstanding bears to the aggregate principal amount of Series 2023A Bonds then outstanding and subject to redemption.

Extraordinary Mandatory Redemption Provisions of Series 2023C Bonds. The Series 2023C Bonds maturing on and after August 1, 2025, are subject to extraordinary mandatory redemption prior to their scheduled maturities on August 20, 2024 (the One-Year Extraordinary Mandatory Redemption), in an amount equal to the Computation Amount (defined herein) applicable

to the One-Year Computation Period for the Series 2023C Bonds, plus accrued interest to the date of such extraordinary redemption at the redemption prices set forth below (approximately 102% of the amortized issue price for each maturity of the Series 2023C Bonds), expressed as percentages of the principal amount of each maturity of the Series 2023C Bonds so redeemed. The Series 2023C Bonds maturing on and after August 1, 2027, are subject to extraordinary mandatory redemption prior to their scheduled maturities on August 20, 2026 (the Three-Year Extraordinary Mandatory Redemption), in an amount equal to the Computation Amount applicable to the Three-Year Computation Period for the Series 2023C Bonds, plus accrued interest to the date of such extraordinary redemption at the redemption prices set forth below (approximately 102% of the amortized issue price for each maturity of the Series 2023C Bonds), expressed as percentages of the principal amount of each maturity of the Series 2023C Bonds so redeemed.

Extraordinary Mandatory Redemption Price (%)

CUSIP No. Prefix: 882724

Maturity (August 1)	On August 20, 2024	On August 20, 2026	CUSIP Suffix
2025	103.898	-	Q91
2026	106.084	-	R25
2027	108.333	104.091	R33
2028	110.527	106.321	R41
2029	112.546	108.453	R58
2030	114.510	110.527	R66
2031	116.422	112.546	R74
2032	118.281	114.510	R82
2033	119.738	116.144	R90
2034	119.297	115.801	S24
2035	118.249	114.977	S32
2036	117.384	114.298	S40
2037	116.354	113.488	S57
2038	115.421	112.751	S65
2039	103.378	103.109	S73
2040	102.992	102.799	S81
2041	102.531	102.428	S99
2042	102.303	102.244	T23

The 2023C Resolution defines "Computation Amount" as surplus proceeds (rounded to the next higher \$5,000 denomination) equal to the remainder of (A) thirty percent (30%) of the net proceeds less proceeds of the Series 2023C Bonds directly or indirectly used to make loans to political subdivisions as of the last day of the One Year Computation Period (but not less than zero) or (B) ninety-five percent (95%) of the net proceeds less the proceeds of the Series 2023C Bonds directly or indirectly used to make loans to political subdivisions as of the last day of the Three-Year Computation Period (but not less than zero).

Following the earlier of (i) the 90th day after the Three-Year Computation Period for the Series 2023C Bonds and (ii) the date on which 95 percent of the proceeds of the Series 2023C Bonds have been used to make loans, if such date occurs prior to the end of the Three-Year Computation Period for the Series 2023C Bonds, the Series 2023C Bonds shall not be subject to extraordinary mandatory redemption.

The foregoing notwithstanding, the Series 2023C Bonds are not subject to such extraordinary mandatory redemption if the Board obtains an opinion of nationally recognized bond counsel to the effect that, if the Board does not cause the extraordinary mandatory redemption to occur, it will not adversely affect the excludability of interest on the Series 2023C Bonds from gross income for federal income tax purposes.

For purposes of the One-Year Extraordinary Mandatory Redemption and the Three-Year Extraordinary Mandatory Redemption, as the case may be, the Series 2023C Bonds that are subject to such redemption will be selected on a "Pro Rata Basis" (defined below); provided, that if any amount required to be redeemed remains after such selection, such remaining amount will be applied to the redemption of \$5,000 principal amount of each maturity of the Series 2023C Bonds in inverse order of maturity. The term "Pro Rata Basis" means that the principal amount of a particular maturity will be determined by multiplying the Computation Amount by the ratio which the principal amount of Series 2023C Bonds of such maturity then outstanding bears to the aggregate principal amount of Series 2023C Bonds then outstanding and subject to redemption.

Selection of Tax-Exempt Bonds to be Redeemed

If fewer than all of the Tax-Exempt Bonds of a particular series that are subject to redemption are called for redemption, the maturities (or mandatory sinking fund redemption amounts within a maturity) to be redeemed will be selected by

the Board, and such 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; provided, further, however, that such selection methodology shall not apply to the Series 2023A Bonds or Series 2023C Bonds that are redeemed pursuant to application of extraordinary mandatory redemption provisions, in which case selection of redeemed Series 2023A Bonds or Series 2023C Bonds shall occur in the manner described above under "Extraordinary Mandatory Redemption".

Selection of Taxable Series 2023D Bonds to be Redeemed

If fewer than all of the Taxable Series 2023D Bonds that are subject to redemption are called for redemption, the maturities (or mandatory sinking fund redemption amounts within a maturity) to be redeemed will be selected by the Board. If the Taxable Series 2023D Bonds are registered in book-entry only form and so long as DTC, or a successor securities depository, is the sole registered owner of such Taxable Series 2023D Bonds and if less than all of the Taxable Series 2023D Bonds of a maturity are called for prior redemption, the particular Taxable Series 2023D Bonds or portions thereof to be redeemed shall be selected on a "Pro Rata Pass-Through Distribution of Principal" basis in accordance with DTC procedures; provided, however, the selection for redemption of such Taxable Series 2023D Bonds shall be made in accordance with the operational arrangements of DTC then in effect. It is the Board's intent that redemption allocations made by DTC, the DTC Participants (as defined in APPENDIX E) or such other intermediaries that may exist between the Board and the beneficial owners of the Taxable Series 2023D Bonds be made on a Pro Rata Pass-Through Distribution of Principal basis as described above; however, the Board can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among beneficial owners of the Taxable Series 2023D Bonds on such basis. If the DTC operational arrangements do not allow for the redemption of the Taxable Series 2023D Bonds on a Pro Rata Pass-Through Distribution of Principal basis as described above, then the Taxable Series 2023D Bonds will be selected for redemption in accordance with DTC procedures by lot. If the Taxable Series 2023D Bonds are no longer registered to DTC or its nominee, any redemption of less than all of a maturity of such Taxable Series 2023D Bonds shall be effected by the Paying Agent/Registrar among owners on a pro-rata basis subject to minimum Authorized Denominations. The Taxable Series 2023D Bonds or portions thereof to be redeemed shall be determined by the Paying Agent/Registrar, using such method as it shall deem fair and appropriate.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption, a written notice of such redemption will be given to the registered owner of each Bond, or portion thereof, that is being called for redemption by depositing such notice in the United States mail, first-class-postage prepaid, addressed to each such registered owner at such owner's address shown on the registration books of the Paying Agent/Registrar. The failure to send, mail, or receive such notice described above, or any defect therein or in the sending or mailing thereof, will not affect the validity or effectiveness of the proceedings for the redemption of any 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 A PARTICULAR SERIES OF BONDS FOR REDEMPTION AT THE OPTION OF THE BOARD BE GIVEN IN THE MANNER PROVIDED ABOVE, BUT THE BOARD SHALL NOT BE ABLE TO PROVIDE THE PAYING AGENT/REGISTRAR WITH AMOUNTS SUFFICIENT TO AFFECT ON THE DATE FIXED FOR REDEMPTION THE PAYMENT OF THE ENTIRE REDEMPTION PRICE OF THE PARTICULAR SERIES OF 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 Resolutions, the Board retains the right to replace the Paying Agent/Registrar. The Board covenants in the Bond Resolutions to maintain and provide a Paying Agent/Registrar for the Bonds at all times while the Bonds are outstanding and any successor Paying Agent/Registrar is required to be a competent and legally qualified bank or trust company which shall be a corporation organized and doing business under the laws of the United States of America or any state, authorized under such laws to exercise

trust powers and subject to supervision by federal or state authority. Upon any change in the Paying Agent/Registrar for the Bonds, the Board agrees to promptly cause a written notice thereof to be sent by the new Paying Agent/Registrar for the Bonds to each registered owner of the affected Bonds by United States mail, first-class-postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General Obligation Pledge

THE BONDS ARE GENERAL OBLIGATIONS OF THE STATE, AND AS PROVIDED IN SECTIONS 49-d-8, 49-d-9, 49-d-10, 49-d-11, AND 49-d-14, AND THE ACT, THE FULL FAITH AND CREDIT OF THE STATE IS PLEDGED FOR THE FAITHFUL PERFORMANCE OF ALL COVENANTS, RECITALS AND STIPULATIONS IN THE RESOLUTIONS AND THE BONDS.

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

Perfection of Security

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

Other Sources of Payment

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

Accordingly, (i) the Financial Assistance Account and the Financial Assistance Bond Payment Account constitute sources of payment only for the Financial Assistance Bonds, including the Series 2023A Bonds and the Series 2023B Bonds and (ii) the EDAP Account and the EDAP Bond Payment Account constitute a source of payment only for the EDAP Bonds, including the Series 2023C Bonds and the Taxable Series 2023D Bonds, as described in this Official Statement. **No State Participation Bonds are being offered pursuant to this Official Statement.**

Enforcement of Payment

The right of mandamus in any court of competent jurisdiction is specifically provided in the Texas Water Code to enforce payment of the Bonds, and obligations incurred under any bond enhancement agreement (a Bond Enhancement Agreement) with respect to the Bonds entered into by the Board pursuant to Section 17.954(c) of the Act, and the performance of official duties prescribed by Section 49-d-8 to make the transfers of funds as required.

Defeasance

The Resolutions provide that any Bond issued thereunder will be deemed paid and no longer Outstanding (a Defeased Bond) when payment of the principal of and premium, if any, on such Bond, plus interest thereon to the due date thereof (by maturity or otherwise), either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by the Board irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other similar instrument for such payment (a lawful money of the

United States of America sufficient to make such payment or (b) Defeasance Securities (as defined below) that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Board with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. As used above and unless otherwise specified in the Approval Certificate, "Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, 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 and that, on the date the Board adopts or approves proceedings authorizing the issuance of refunding bonds or, if such defeasance is not in connection with the issuance of refunding bonds, on the date the Board provides for the funding of an escrow to effect the defeasance of the applicable Bonds, are rated as to investment quality by a nationally-recognized investment rating firm not less than "AAA" or its equivalent.

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

Amendment of Resolutions With Consent of Registered Owners

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

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

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

Amendment of Resolutions Without Consent of Registered Owners

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

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

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

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

- (vi) the procedure for payment of the Bonds; or
- (vii) the payment of expenses of administering Development Fund II and other authorized expenses of the Board; or
- (viii) the administration of the Water Infrastructure Fund;

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

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

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

WATER ASSISTANCE BOND PROGRAM

Development Fund I

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

Development Fund II

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

Section 49-d-8 limits the authorized amount of EDAP Bonds that may be issued by the Board under that section to \$250 million in the aggregate, and the Board has previously issued EDAP Bonds in such amount pursuant to that section (including Water Development Bonds previously issued pursuant to subsection (b) of Section 49-d-7 of the Constitution.) In November 2007, the Constitution was amended to add Section 49-d-10, which authorized the Board to issue up to \$250 million in additional general obligation bonds as EDAP Bonds to augment the EDAP Account.

Section 49-d-11 was approved by the voters of the State on November 8, 2011 and authorizes the Board to issue additional general obligation bonds for one or more accounts of Development Fund II in amounts such that the aggregate principal amount of bonds issued under Section 49-d-11 that are outstanding at any time does not exceed \$6 billion. Section 49-d-14 was approved by the voters of the State on November 5, 2019 and authorizes the Board to issue additional general obligation bonds for the EDAP Account of Development Fund II in amounts such that the aggregate principal amount of bonds issued under Section 49-d-14 that are outstanding at any time does not exceed \$200 million. The effect of the provisions of Section 49-d-11 and Section 49-d-14 is to provide an "evergreen" authorization. Unlike bonds issued under authority of the Development Fund I Constitutional Provisions, Section 49-d-9 and Section 49-d-10 (which provide that the authority to issue bonds is extinguished once bonds are issued), once bonds issued under authority of Section 49-d-11 or Section 49-d-14 are no longer outstanding by

their terms, the authority under Section 49-d-11 or Section 49-d-14 to issue bonds in a like principal amount is restored and made available to the Board.

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

Major Accounts within Development Fund II

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

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

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

"Water Assistance Project" means any project for which the Board is authorized to provide financial assistance, in accordance with the purposes described by Article III, Sections 49-c, 49-d, 49-d-1, 49-d-2, 49-d-5, 49-d-6, 49-d-7, or 49-d-8, Texas Constitution, other than (i) a State Participation Project or (ii) an EDAP Project. The term "Water Assistance Project" includes, without limitation, transfers to or deposits to the credit of any state revolving fund administered by the Board under the provisions of the Texas Water Code, specifically Chapter 15, Texas Water Code, and transfers to or deposits to the credit of the Rural Water Assistance Fund or the Water Infrastructure Fund.

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

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

Financial Assistance Bonds

As a practice, the Board's policy historically has been that debt service on Financial Assistance Bonds be self-supporting, and the Board has expected that program revenues flowing into the Financial Assistance Account will be sufficient to meet debt service requirements on outstanding Financial Assistance Bonds. The Board currently anticipates that the Board's policy will continue for the Series 2023A Bonds and the Series 2023B 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 Water Infrastructure Fund has become self-supporting and program revenues are now sufficient to meet debt service requirements on the Water Infrastructure Bonds. The Board currently anticipates that the Legislature will continue to appropriate general revenues of the State to support the payment of debt service on EDAP Bonds (including the Series 2023C Bonds and the Taxable Series 2023D Bonds) until such time that program assets and revenues are sufficient to meet debt service requirements on the EDAP Bonds. See "WATER ASSISTANCE BOND PROGRAM – Water Infrastructure Fund" and – "EDAP Bonds."

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

- (i) Money and Assets Attributable to Bonds (as defined in the 2023A Resolution and the 2023B Resolution) designated by the Board as issued for Water Assistance Projects;

- (ii) payments received under a Bond Enhancement Agreement with respect to Financial Assistance Bonds designated by the Board as issued for Water Assistance Projects;
- (iii) investment income earned on money on deposit in the Financial Assistance Account; and
- (iv) any other funds, regardless of their source, that the Board directs 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, 2022. 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, and 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 Bonds. The Water Infrastructure Fund has become self-supporting and program revenues are now sufficient to meet debt service requirements on the Water Infrastructure Fund Bonds. As a result, the Board currently anticipates that the Legislature will no longer make appropriations from the State's General Revenue Fund to support debt service payments on the Water Infrastructure Bonds. See "WATER ASSISTANCE BOND PROGRAM – Water Infrastructure Fund."

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

If the Executive Administrator or the designee thereof determines within 15 days of an interest or principal payment date that the money available in the Financial Assistance Account or, in the case of the refunded rural water assistance fund bonds, the Rural Water Assistance Fund, for transfer to the Financial Assistance Bond Payment Account, as described above, is not sufficient to pay the principal of, premium, if any, and interest on the Financial Assistance Bonds, which then are outstanding and are scheduled to be due and payable on such interest or principal payment date, including, to the extent determined by the Board, an amount which will be sufficient to make payments by the Board under one or more Bond Enhancement Agreements with respect to principal or interest on such Financial Assistance Bonds, the Executive Administrator or the designee thereof is required to request the Comptroller to deposit no later than 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. See "WATER ASSISTANCE BOND PROGRAM – Development Fund II."

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

EDAP Bonds

Bonds issued to provide financial assistance pursuant to the Board's Economically Distressed Areas Program have resulted in draws on the State's General Revenue Fund. The Board currently anticipates that the issuance of EDAP Bonds (including the Series 2023C Bonds and the Taxable Series 2023D Bonds) will result in future draws on the State's General Revenue Fund. Amounts specifically appropriated by the Legislature in support of debt service on EDAP Bonds are not limitations on general revenue draws, if additional funds are needed during the biennium, since the Constitution itself provides for an appropriation of money needed for the payment of such debt service. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – General Obligation Pledge".

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

- (i) Money and Assets Attributable to Bonds (as defined in the 2023C Resolution and 2023D Resolution) designated by the Board as issued for EDAP Projects;
- (ii) money from the sale, transfer, or lease of an EDAP Project that was acquired, constructed, reconstructed, developed, or enlarged with money from the EDAP Account;
- (iii) payments received under a Bond Enhancement Agreement with respect to bonds designated by the Board as issued for EDAP Projects;
- (iv) investment income earned on money on deposit in the EDAP Account; and
- (v) any other funds, regardless of their source, that the Board directs be deposited to the credit of the EDAP Account.

See APPENDIX B attached hereto for unaudited financial data relating to the EDAP Account for various fiscal years, including the fiscal year ended August 31, 2022. See "OTHER INFORMATION – Unaudited Financial Information".

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

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

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

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

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

resolution the Board specifically authorizes the transfer of any such proceeds or prepayments so identified in said resolution to the EDAP Bond Payment Account.

State Participation Bonds

No State Participation Bonds are being offered pursuant to this Official Statement. Bonds issued to provide financial assistance pursuant to the Board's State Participation Program (the State Participation Bonds) have resulted in draws on the State's General Revenue Funds and the issuance of additional State Participation Bonds in the future may result in draws on the State's General Revenue Funds. However, the Board currently anticipates that program assets and revenues will be sufficient to meet debt service requirements on the currently outstanding State Participation Bonds. Amounts specifically appropriated by the Legislature in support of debt service on State Participation Bonds are not limitations on general revenue draws, if additional funds are needed during the biennium, since the Constitution itself provides for an appropriation of money needed for the payment of such debt service. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – General Obligation Pledge".

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

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

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

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). The Water Infrastructure Fund has become self-supporting and program revenues are now sufficient to meet debt service requirements on the Water Infrastructure Bonds. As a result, the Board currently anticipates that the Legislature will no longer make appropriations from the State's General Revenue Fund to support debt service payments on the Water Infrastructure Bonds.

The Board may direct the Comptroller to transfer amounts from the Financial Assistance Account to the Water Infrastructure Fund to provide financial assistance under the Texas Water Code for the purposes provided in Subchapter Q, as listed in Section 15.974, Texas Water Code, as amended. Subchapter Q further provides that the Water Infrastructure Fund may be used (1) as a source of revenue for the repayment of debt service on Financial Assistance Bonds, the proceeds of which have been deposited into the Water Infrastructure Fund, and (2) pursuant to HB 1904 of the 87th Regular Session of the Legislature, effective September 1, 2021, to make transfers from the Water Infrastructure Fund to the Financial Assistance Account for the purposes described in Section 49-d-8, other than for the purposes described in Sections 17.957 and 17.958, Texas Water Code, as amended.

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**TABLE 1: WATER ASSISTANCE BONDS
As of February 28, 2023**

Constitutional Provision ⁽¹⁾⁽²⁾	Purpose	Constitutionally Authorized Amount	Authorization Used ⁽³⁾	Authorization Currently Being Issued	Authorization Remaining ⁽⁴⁾
Section 49-d-11 ⁽⁵⁾	Development Fund	\$ 6,000,000,000	\$180,001,414	\$ 23,200,000	\$ 5,796,798,586
Section 49-d-14 ⁽⁶⁾	EDAP	200,000,000	-	100,000,000	100,000,000
Total			<u>\$180,001,414</u>	<u>\$ 123,200,000</u>	<u>\$ 5,896,798,586</u>

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

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

⁽³⁾ Authorization is evergreen; therefore, "Authorization Used" represents aggregate principal amount of bonds outstanding, together with premium derived from the sale of such bonds and used to augment Development Fund II. Excludes principal amount of bonds previously issued and paid (and related amortized premium).

⁽⁴⁾ Assumes delivery of the Bonds. Authorization is evergreen; therefore, "Authorization Remaining" will increase as principal amount of bonds previously issued and in the process of issuance is paid (and related premium is amortized).

⁽⁵⁾ 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.

⁽⁶⁾ Section 49-d-14 authorizes the Board to issue additional general obligation bonds for the EDAP Account in amounts such that the aggregate principal amount of bonds issued under Section 49-d-14 that are outstanding at any time does not exceed \$200 million.

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 offered pursuant to this Official Statement.**

Texas Agricultural Water Conservation Bond Program

Article III, Section 50-d of the Constitution (adopted in 1985) authorizes the Board to issue 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
As of February 28, 2023**

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

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

Flood Infrastructure Fund

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

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

Revenue Bonds

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

State Water Pollution Control Revolving Fund

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

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

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

State Safe Drinking Water Revolving Fund

The Federal Safe Drinking Water Act (**SDWA**) established national primary drinking water regulations to protect the safety of the public's drinking water. Under the SDWA, the USEPA is authorized to make grants (**DWSRF Capitalization Grants**) to states to assist communities in meeting established drinking water standards. As a condition to receipt of a DWSRF Capitalization Grant, a state is required to establish a drinking water state revolving fund into which the DWSRF Capitalization Grant must be deposited, provide state matching funds for the DWSRF Capitalization Grant for deposit in the safe drinking water revolving fund and comply with certain other requirements of the SDWA. Pursuant to Subchapter J, Texas created the DWSRF for the purpose of providing financial assistance to political subdivisions and water supply corporations. The Legislature expanded the

program to allow funding for privately owned corporations for loan subsidies, provided that only appropriated funds and federal grants are utilized for such purpose.

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

State Water Implementation Fund for Texas Program

Pursuant to Subchapter C of Chapter 16 of the Texas Water Code, the Legislature directed the Board to prepare, develop, formulate, and adopt a comprehensive state water plan (the State Water Plan) prior to January 2003. Thereafter, the Board has been responsible for preparing, developing, formulating and adopting a State Water Plan before the end of each successive five-year period. For purposes of developing the State Water Plan, the State is divided into 16 regional water planning areas. Each regional water planning group for each regional water planning area must prepare a regional water plan and submit the plan to the Board for approval. Upon adoption of the State Water Plan, the Board is required to deliver the State Water Plan to the Governor, the Lieutenant Governor and the Speaker of the Texas House of Representatives, and present the adopted State Water Plan for review to the appropriate legislative committees in the Legislature. The 2022 State Water Plan was adopted by the Board on July 7, 2021. The 2022 State Water Plan is available on the website of the Board, at <http://www.twdb.texas.gov/waterplanning/swp/2022/index.asp>.

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

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

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

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

In accordance with State law, \$2 billion from the State’s economic stabilization fund was appropriated and transferred to SWIFT. As of December 31, 2022, \$903,522,715 has been transferred from SWIFT to provide a source of revenue or security for SWIRFT revenue bonds issued by the Board, as further described below. SWIFT is administered by the Texas Treasury Safekeeping Trust Company (TTSTC). According to information available from TTSTC, as of December 31, 2022 SWIFT has a balance of approximately \$1.72 billion. Information relating to the administration of SWIFT by the TTSTC can be found at its website, TTSTC.org.

Section 49-d-13 authorizes the Legislature to authorize the Board to issue bonds and enter into related credit agreements that are payable from revenues available to SWIRFT. Obligations issued or incurred pursuant to Section 49-d-13 are special

obligations payable solely from amounts in SWIRFT. Moneys in SWIRFT consist of moneys transferred or deposited to the credit of SWIRFT by law; the proceeds of any fee or tax that may be imposed by the State in the future that by statute is dedicated for deposit to the credit of SWIRFT; any other revenue that the Legislature dedicates for deposit to SWIRFT; investment earnings on amounts credited to SWIRFT; bond proceeds, including proceeds from revenue bonds issued for SWIRFT; repayments of political subdivision obligations made from SWIRFT; money from the sale, transfer, or lease of a project acquired, constructed, reconstructed, developed, or enlarged with money from SWIRFT; and money disbursed to SWIRFT from SWIFT.

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

As of December 31, 2022, the Board has issued thirteen series of SWIRFT revenue bonds, aggregating \$7,404,810,000 in principal amount outstanding. The following entities are Significant Borrowers under the SWIRFT revenue bond indentures: Tarrant Regional Water District; Lone Star Regional Water Authority; Palo Pinto County Municipal Water District No. 1; Coastal Water Authority, North Harris County Regional Water Authority; Sabine River Authority of Texas; North Fort Bend Water Authority; Upper Trinity Regional Water District, and the North Texas Municipal Water District.

Rural Water Assistance Fund

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

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

In respect to the RWAF, the Bitter Creek Water Supply Corporation (BCWSC) bankruptcy filing on November 21, 2022, constituted a default under certain loan agreements relating to loans of the Board in the outstanding principal amount of \$6,595,464. On April 5, 2023, the plan of BCWSC was confirmed by the bankruptcy court, including the resumption of full payments to the TWDB. In accordance with the plan, the Board expects that the BCWSC loans will be repaid in full, but no assurances can be given regarding such expectation.

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 TWDB members. Because the Authority is a separate legal entity from the Board, it may issue revenue bonds, the proceeds of which may be used for the purpose of purchasing political subdivision bonds from the Board's existing loan portfolio or directly from political subdivisions. The Authority's revenue bonds do not constitute a debt of the State, and neither the full faith or credit nor the taxing authority of the State is in any manner pledged, given or loaned to the payment of the Authority's revenue bonds.

TEXAS WATER DEVELOPMENT BOARD

General

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

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

The primary focus of the Board prior to 1985 was to provide loans to assist communities that found it a hardship to obtain funding from other sources. Constitutional amendments and legislative changes implemented in 1985 broadened the eligibility criteria to include all eligible applicants and regional water, wastewater, municipal solid waste management, flood control projects, and water projects that involved the conversion from a ground water supply source to a surface supply. In 1987, with the creation of the CWSRF, all political subdivisions (no hardship or regional criteria required) became eligible to apply for financial assistance for wastewater treatment projects. In 1989, a constitutional amendment and legislation authorized the Board to provide loan and grant assistance to construct potable water supply and sanitary sewer systems in impoverished areas through the Economically Distressed Areas Program. In 1998, the State established the DWSRF to receive proceeds of certain federal grants, provide matching funds and make loans to political subdivisions and water supply corporations that facilitate compliance with the federal government's primary national drinking water regulations. In 2013, the voters of the State also approved a constitutional amendment which created the SWIFT and the SWIRFT, and such funds are currently administered by the Board for the purpose of implementing the State Water Plan. See "OTHER FINANCIAL ASSISTANCE PROGRAMS OF THE BOARD – State Water Implementation Fund for Texas Program."

State Water Plan

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

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

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

The Board unanimously approved the 2022 State Water Plan on July 7, 2021, and it is available on the website of the Board at: <http://www.twdb.texas.gov/waterplanning/swp/2022/index.asp>.

Board Members

The members of the Board currently are:

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

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

George B. Peyton V, Member. Appointed to the Board by Governor Greg Abbott, effective July 11, 2022. Mr. Peyton is president of River Valley Holdings, Inc., an investment holding company. He has a background in financial analysis and investment management, including direct investing experience in public equities, energy, real estate, and credit. Previously, he led financing and strategic decisions as the president of two oil and gas exploration companies and was the founder and former managing director of Fifth Well Investment Management, LLC, where he directed manager selection and asset allocation decisions. He began his career in the finance and capital markets department at XTO Energy, Inc. Mr. Peyton received a Bachelor of Science in astrophysics and a Bachelor of Business Administration in entrepreneurial management from Texas Christian University, and a Master of Business Administration from Stanford University. Mr. Peyton's term expires February 1, 2027.

L'Oreal Stepney, Member. Governor Greg Abbott appointed L'Oreal Stepney, P.E., as a Board member of the Texas Water Development Board in December 2022 for a term beginning January 1, 2023. She was reappointed on February 3, 2023, for a term set to expire February 1, 2029. Ms. Stepney previously served as the Deputy Executive Director of the Texas Commission on Environmental Quality (TCEQ), which is the Chief Operating Officer for the agency. She began working for TCEQ in 1992, first in the Air Permitting Division, then as section manager for the Wastewater Permitting Section. She was promoted to director of the Water Quality Division in 2003 and served as Deputy Director of the Office of Water upon its creation in 2009. During her time at TCEQ, Ms. Stepney worked closely with the Texas Water Development Board on several water programs. Additionally, Ms. Stepney has been one of the negotiators in the group from Texas that meets with Mexico and the International Boundary and Water Commission to negotiate water deliveries under the Rio Grande 1944 Treaty. She is a board member for the Mickey Leland Environmental Internship Program, a graduate of the University of Texas Governor's Center Executive Management Program and the University of Texas Center for Public Policy Dispute Resolution Fellows Program. Director Stepney received a Bachelor of Science in aerospace engineering and a Master of Science in civil engineering from the University of Texas at Austin.

Key Staff Members

Jeff Walker, Executive Administrator. Mr. Walker was named Executive Administrator of the TWDB on May 19, 2016. He has served in various positions at the TWDB for more than 30 years, including as an agricultural conservation specialist, a financial analyst, a non-point source coordinator, and director of Project Development. In his most recent role as Deputy Executive Administrator of Water Supply and Infrastructure, his areas of responsibility included state water planning, project development, financial assistance, project funds disbursement, financial program administration, water use and population projections, facility needs assessment, project inspection, and reporting. Mr. Walker holds a Master of Business Administration from Texas State University and a Bachelor of Science in Agricultural Economics from Texas A&M University.

Amanda Lavin, Assistant Executive Administrator. Ms. Lavin has more than 30 years of experience in public financing of infrastructure projects in Texas. She previously served as assistant deputy for the office of Water Supply and Infrastructure and helped supervise the implementation of the SWIFT Program. Prior to joining the TWDB, Ms. Lavin was a financial advisor to various political subdivisions in the Austin and Houston areas.

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

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

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

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

Limitation of Liability of Officials of the Board

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

Bond Review Board Approval

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

On June 8, 2023, the Bond Review Board approved the Bonds.

COVID-19

The State's May 2023 Bond Appendix (defined herein) provides, among other things, details about the impact of COVID-19 on the State, including revenue collections and measures taken by the State and federal government to limit the impact of COVID-19. The State's COVID-19 Disclosure (defined herein) and any subsequently filed documents regarding COVID-19, if any, may be obtained by accessing EMMA (defined herein) at <https://emma.msrb.org/>, using EMMA's Advanced Search function and entering the term "State of Texas Comptroller" in the Issuer Name field within the Security Information search filter. *For more information on the impact of COVID-19 on the State, see "12. Infectious Disease Outbreak COVID-19" of the State's May 2023 Bond Appendix, as supplemented (the State's COVID-19 Disclosure) and such disclosure is hereby incorporated by reference.*

The Board cannot quantify the impact that COVID-19 (including existing and new variants of COVID-19) will continue to have on travel, commerce, healthcare providers and financial markets. To date, however, the Board's operations and financial condition have not been materially impacted by COVID-19. The Board has proactively managed its operation during COVID-19 by implementing remote work policies, health and safety guidance and augmenting and supplementing its review process related to borrower applications in respect to COVID-19, when appropriate. No assurance can be given as to whether the Board's operations and financial condition will be materially impacted in the future. The Board continues to monitor the spread of COVID-19 and is working with local governments and State agencies, including the Political Subdivisions, to address the economic impact of COVID-19 on such entities and projects financed by the Board.

Cybersecurity

All agencies of the State are required to adhere to Texas Administrative Code Chapter 202, which establishes a baseline of security standards. Additionally, the State's Office of the Chief Information Security Officer, in conjunction with the Statewide Information Security Advisory Committee, created a strategic plan for the State that focuses on cybersecurity initiatives. The plan, adopted January 2018, addresses the goals of engagement, tooling, staffing, response and outreach. In addition to compliance with such plan, the Board has adopted information technology policies and procedures, including risk management policies and procedures that are reviewed and updated annually. The Board employs other routine and standard processes that ensure the security of information resources as well, such as an annual risk assessment of information resources, a quarterly security report presented to executive leadership, and an annual third party controlled penetration test. Additionally, there is, an Information Security Risk Assessment conducted by a third-party and an Agency Security Plan, both of which assess the Board's maturity level relative to established security objectives and are updated every two years. In addition, the Board requires annual security awareness training of all employees and contractors and conducts quarterly phishing exercises to reinforce awareness concepts. As of the date of this Official Statement, there have been no cybersecurity incidents that have materially impacted the operation or financial condition of the Board.

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). A Sunset bill relating to the functions of the TWDB has been signed by the Governor and is effective September 1, 2023. The Sunset Act prohibits the Legislature from enacting legislation that would in any way affect the Board's obligations, including those contractual obligations to the holders of the Bonds pursuant to the Resolutions.

2023 Legislative Session

In odd-numbered years, the Legislature meets in a regular session lasting 140 days. On January 10, 2023, the Legislature convened its 88th Regular Session and was in session until May 29, 2023. On May 29, 2023, Governor Abbott called for a special session to begin immediately on May 29 focusing on property tax relief and border security. The Governor may call additional special sessions, at his discretion, each lasting no more than 30 days.

During the 88th Regular Session, the Legislature passed Senate Bill (S.B.) 28, legislation intended to provide large-scale investments in developing water supply for Texas. The bill creates the New Water Supply for Texas Fund, effective September 1, 2023, and requires the Board to take actions to finance projects that will lead to the development of seven million acre-feet of new water supplies for the state by December 31, 2033. S.B. 28 also creates the statewide water public awareness account, effective September 1, 2023, to educate residents of the State about water, including through supporting local and regional water education programs. The bill additionally creates the Texas Water Fund to work with existing Board financing programs. Provisions of S.B. 28 relating to the Texas Water Fund are subject to approval by the voters of a constitutional amendment in November 2023. If passed by the voters, these provisions are effective January 1, 2024.

GENERAL INFORMATION REGARDING THE STATE

Available Information

The Texas Comptroller of Public Accounts (the Comptroller) prepares (a) a quarterly appendix (the Bond Appendix), which sets forth certain information regarding the State (including its government, finances, economic profile, and other matters) for use by State entities when issuing debt, (b) an Annual Comprehensive Financial Report (ACFR), which includes financial statements audited by the State Auditor, and (c) from time to time notices of certain events as described under "CONTINUING DISCLOSURE OF INFORMATION – Continuing Disclosure Undertaking of the Comptroller – Event Notices." All such documents are provided to the Municipal Securities Rulemaking Board (the MSRB) and publicly accessible as described in "APPENDIX A – The State of Texas." The most current such documents are described in "APPENDIX A – The State of Texas" and incorporated herein by reference. No representation is made that such documents contain all facts material to an evaluation of the ability of the State to make timely payment of debt service on the Bonds, or the value of the Bonds, or that any specific information should be accorded any particular significance.

Constitutional Limitation on Debt

Article III, Section 49-j of the Texas Constitution prohibits the Legislature from authorizing additional State debt payable from the State's General Revenue Fund, including authorized but unissued bonds and lease purchase contracts in excess of \$250,000 but excluding debt reasonably expected to be paid from other sources, if the resulting maximum annual debt service in any State fiscal year on such State debt payable from the General Revenue Fund exceeds 5% of the average amount of General Revenue Fund revenues for the three immediately preceding fiscal years, excluding revenues constitutionally dedicated for purposes other than payment of state debt.

LEGAL MATTERS

Legal Opinions

The Board will furnish to the Underwriters complete transcripts of proceedings incident to the authorization and issuance of the Bonds, including the legal opinions of the Attorney General of the State to the effect that the Bonds are valid and legally binding obligations of the Board and, based upon examination of such respective transcripts of proceedings, the legal opinions to like effect of Orrick, Herrington, & Sutcliffe LLP, Bond Counsel and, subject to the qualifications set forth herein under "TAX MATTERS – TAX-EXEMPT BONDS", the interest on the Tax-Exempt Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, and court decisions. In its capacity as Bond Counsel, Bond Counsel has reviewed the information under the captions "PLAN OF FINANCE" (except the subcaption Anticipated Issuance of General Obligation Additional Bonds, as to which no opinion will be expressed), "THE BONDS", "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS", "LEGAL MATTERS" (except the last two sentences of the first paragraph appearing under this subcaption "Legal Opinions" and the entirety of the information under the subcaption "No-Litigation Certificate" to which no opinion will be expressed), "TAX MATTERS – TAX-EXEMPT BONDS", "TAX MATTERS – TAXABLE SERIES 2023D BONDS", "CONTINUING DISCLOSURE OF INFORMATION" (excluding any information describing or otherwise pertaining to the continuing disclosure undertaking of the Comptroller and any statements with respect to the State's or the Board's compliance with prior continuing disclosure undertakings, as to which no opinion will be expressed), and APPENDIX C to this Official Statement, and such firm is of the opinion that the information relating to the Bonds and the Resolutions and such firm's legal conclusions contained under such captions and in APPENDIX C is a fair and accurate summary of the information purported to be shown therein. In connection with the transactions described herein, Bond Counsel represents only the Board. The legal opinions of Bond Counsel in the forms set forth in APPENDIX C to this Official Statement will accompany the Bonds deposited with DTC. Certain legal matters will be passed upon for the Underwriters by their counsel, Greenberg Traurig, LLP, Houston, Texas, whose legal fee is contingent on the issuance and sale of the Bonds. Certain legal matters will be passed on for the Board by Bracewell LLP, Houston, Texas, Disclosure Counsel.

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

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

No-Litigation Certificate

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

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

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

Eligibility for Investment in Texas

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

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

Registration and Qualification of Bonds for Sale

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

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

TAX MATTERS – TAX-EXEMPT BONDS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel (Bond Counsel), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the Code). Bond Counsel is of the further opinion that interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Tax-Exempt Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Tax-Exempt Bonds. Complete copies of the proposed forms of opinions of Bond Counsel are set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Tax-Exempt Bonds is less than the amount to be paid at maturity of such Tax-Exempt Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Tax-Exempt Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Tax-Exempt Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Tax-Exempt Bonds is the first price at which a substantial amount of such maturity of the Tax-Exempt Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Tax-Exempt Bonds accrues daily over the term to maturity of such Tax-Exempt Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Tax-Exempt Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Tax-Exempt Bonds. Beneficial Owners of the Tax-Exempt Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Tax-Exempt Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Tax-Exempt Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

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

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

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

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

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

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

Payments on the Tax-Exempt Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Tax-Exempt Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Tax-Exempt Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number (TIN) to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

TAX MATTERS – TAXABLE SERIES 2023D BONDS

Bond Counsel observes that interest on the Taxable Series 2023D Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Taxable Series 2023D Bonds.

The following discussion summarizes certain U.S. federal income tax considerations generally applicable to holders of the Taxable Series 2023D Bonds that acquire their Taxable Series 2023D Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the "IRS") with respect to any of the U.S. federal tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Taxable Series 2023D Bonds as part of a hedge, straddle or an integrated or conversion transaction, investors whose "functional currency" is not the U.S. dollar, or certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Taxable Series 2023D Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Taxable Series 2023D Bonds pursuant to this offering for the issue price that is applicable to such Taxable Series 2023D Bonds (i.e., the price at which a substantial amount of the Taxable Series 2023D Bonds are sold to the public) and who will hold their Taxable Series 2023D Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Taxable Series 2023D Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Taxable Series 2023D Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Taxable Series 2023D Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Taxable Series 2023D Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Taxable Series 2023D Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Taxable Series 2023D Bonds in light of their particular circumstances.

U.S. Holders

Interest. Interest on the Taxable Series 2023D Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the Taxable Series 2023D Bonds is less than the amount to be paid at maturity of such Taxable Series 2023D Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Taxable Series 2023D Bonds) by more than a de minimis amount, the difference may constitute original issue discount (OID). U.S. Holders of Taxable Series 2023D Bonds will be required to include OID in income for U.S. federal income

tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Taxable Series 2023D Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Taxable Series 2023D Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Taxable Series 2023D Bond.

Sale or Other Taxable Disposition of the Taxable Series 2023D Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the Board) or other disposition of a Taxable Series 2023D Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Taxable Series 2023D Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Taxable Series 2023D Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Taxable Series 2023D Bond (generally, the purchase price paid by the U.S. Holder for the Taxable Series 2023D Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Taxable Series 2023D Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Taxable Series 2023D Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Taxable Series 2023D Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Defeasance of the Taxable Series 2023D Bonds. If the Board defeases any Taxable Series 2023D Bond, the Taxable Series 2023D Bond may be deemed to be retired for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, a holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the holder's adjusted U.S. federal income tax basis in the Taxable Series 2023D Bond.

Information Reporting and Backup Withholding. Payments on the Taxable Series 2023D Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Taxable Series 2023D Bonds may be subject to backup withholding at the current rate of 24% with respect to "reportable payments," which include interest paid on the Taxable Series 2023D Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Taxable Series 2023D Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Foreign Account Tax Compliance Act (FATCA) – U.S. Holders and Non-U.S. Holders

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Under current guidance, failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest on the Bonds. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to certain "passthru" payments no earlier than the date that is two years after publication of final U.S. Treasury Regulations defining the term "foreign passthru payments." Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Taxable Series 2023D Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Taxable Series 2023D Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

CONTINUING DISCLOSURE OF INFORMATION

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

Continuing Disclosure Undertaking of the Board

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

Annual Reports. The Board will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes financial information and operating data of the general type included in TABLE 1 – Water Assistance Bonds, TABLE 2 – Agriculture Fund General Obligation Bonds, and APPENDIX B of this Official Statement. The Board will update and provide this information within 195 days after the end of each fiscal year ending in or after 2023.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's website or filed with the SEC, as permitted by SEC Rule 15c2-12 (the Rule). The updated information will include audited financial statements, if the Board or the State, as appropriate, commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Board will provide unaudited financial statements within the required time and audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with generally accepted accounting principles for governmental entities or such other accounting principles as the Board may be required to employ from time to time pursuant to State law or regulation.

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

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

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

Continuing Disclosure Undertaking of the Comptroller

General. The Comptroller has entered into an Amended and Restated Continuing Disclosure Agreement with the Bond Review Board dated March 12, 2019. The Board and the legal and beneficial owners of the Bonds are third-party beneficiaries of the Comptroller's agreement. The Comptroller is required to observe this agreement in respect of any issue of Securities, as defined in the agreement (which include the Bonds), for so long as the State remains an "obligated person," as defined in the Rule. Under the agreement, the Comptroller will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB as described below.

Annual Reports. The Comptroller will provide certain updated financial information and operating data to the MSRB annually. Under its disclosure agreement, the Comptroller is not obligated to provide such financial and operating data more frequently than on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the State of the general type included in the Bond Appendix. The Comptroller will update and provide this information within 195 days after the end of each fiscal year of the State.

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

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

Quarterly Reports. Although it is not contractually committed to do so, the Comptroller currently prepares and files with the MSRB a quarterly Bond Appendix which provides a general description of the State and sets forth certain information regarding the State, including its government, finances, economic profile, and other matters, for use by State entities when issuing debt. Certain tables within the Bond Appendix are updated on a quarterly basis while other tables within the Bond Appendix are updated on a semiannual or annual basis. The Bond Appendix is not audited and provides financial data on a cash basis. The Comptroller generally files an updated Bond Appendix with the MSRB within two weeks after each January 31, April 30, July 31, and October 31, and it may file voluntary notices of significant events with the MSRB between Bond Appendices, although there is no assurance that it will continue such voluntary filings at such times or at all in the future.

Event Notices. The Comptroller will also provide notice to the MSRB of any of the following events with respect to the Bonds on a timely basis no later than 10 business days after the event: (a) the incurrence of a financial obligation (as defined in the Rule, including certain debt, debt-like, and debt-related obligations) of the State, if material, or an agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation, any of which affect security holders, if material; or (b) a default, event of acceleration, termination event, modification of terms, or other similar event under the terms of any such financial obligation of the State, any of which reflect financial difficulties.

The Comptroller will also provide timely notice to the MSRB of any failure to provide updated financial information, operating data, or financial statements in accordance with its agreement.

Availability of Information

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

The quarterly Bond Appendix, if and when filed, the State's ACFR, and annual financial and operating information, and event notices, if any, may be obtained by using the EMMA Advanced Search function and entering the term "State of Texas Comptroller" in the Issuer Name field within the Security Information search filter. The most recently prepared Bond Appendix, ACFR, and notices may also be accessed on the Comptroller's website at: <https://comptroller.texas.gov/programs/systems/treasury-ops/index.php>.

Limitations and Amendments

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

The Board and the Comptroller may amend their respective continuing disclosure agreements from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Board or the State, if (i) the agreement, as amended, would have permitted an

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

OTHER INFORMATION

Ratings

Fitch Ratings, Inc. and S&P Global Ratings, a division of S&P Global Inc., have assigned ratings of "AAA" and "AAA" respectively, to the Bonds. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such rating companies and the Board and the Underwriters make no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies if, in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell, or hold securities.

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase: the Series 2023A Bonds at a purchase price of \$23,285,553.72 (consisting of a principal amount of \$20,760,000, plus an original issue premium of \$2,600,862.85, and less an underwriting discount of \$75,309.13); the Series 2023B Bonds at a purchase price of \$38,196,945.44 (consisting of a principal amount of \$35,750,000, plus an original issue premium of \$2,557,618.95, and less an underwriting discount of \$110,673.51); the Series 2023C Bonds at a purchase price of \$75,243,125.26 (consisting of a principal amount of \$68,820,000, plus an original issue premium of \$6,637,541.05, less an underwriting discount of \$214,415.79); and the Taxable Series 2023D Bonds at a purchase price of \$25,091,067.26 (consisting of a principal amount of \$24,875,000, plus an original issue premium of \$298,811.00, less an underwriting discount of \$82,743.74).

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

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

One of the Underwriters of the Bonds is BOK Financial Securities, Inc., which is not a bank, and the Bonds are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

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

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

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

The Board intends to use a portion of the proceeds from the Series 2023B Bonds to redeem the Refunded Bonds. To the extent an Underwriter or an affiliate thereof is an owner of Refunded Bonds, such Underwriter or its affiliate, as applicable, would receive, as an owner of a Refunded Bond, a portion of the proceeds from the issuance of the Series 2023B Bonds, contemplated herein in connection with such Refunded Bonds being redeemed by the Board.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association (“WFBNA”), which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

WFBNA, acting through its Municipal Finance Group, one of the underwriters of the Bonds, has entered into an agreement (the WFA Distribution Agreement) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name Wells Fargo Advisors) (WFA), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA has also entered into an agreement (the WFSLLC Distribution Agreement) with its affiliate Wells Fargo Securities, LLC (WFSLLC), for the distribution of municipal securities offerings, including the Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Unaudited Financial Information

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

Forward-Looking Statements

The statements contained or incorporated by reference into this Official Statement that are not purely historical are forward-looking statements including statements regarding the Board’s and the Comptroller’s expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Board and the Comptroller on the date of this Official Statement or the date of the Bond Appendix, ACFR, or event notice, respectively, and the Board and the Comptroller assume no obligation to update any such forward-looking statements. It is important to note that the Board’s and the State’s actual results could differ materially from those in such forward-looking statements.

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

Certification of Official Statement

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

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

Verification of Arithmetical and Mathematical Computations

Public Finance Partners LLC (the “Verification Agent”) will deliver to the Board, on or before the Date of Delivery of the Bonds, its verification report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds. The Verification Agent relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the Board. In addition, the Verification Agent relied on any information provided to it by the Board's retained advisors, consultants and legal counsel.

Financial Advisor

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

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

Website References

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein (or in any other document expressly incorporated herein) are not incorporated into, and are not part of, this Official Statement, including for purposes of, and as that term is defined in, the Rule.

Approval of Official Statement

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

TEXAS WATER DEVELOPMENT BOARD

[s] _____
JEFF WALKER
Executive Administrator
Texas Water Development Board

SCHEDULE I - SCHEDULE OF REFUNDED BONDS

Water Financial Assistance Bonds, Series 2013B

<u>Original Dated Date</u>	<u>Maturity (August 1)</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>CUSIP</u>
August 1, 2013	2024	5.000%	\$ 2,295,000	882723CB3
	2025	5.000%	3,410,000	882723CC1
	2026	5.000%	3,580,000	882723CD9
	2027	5.000%	3,610,000	882723CE7
	2028	5.000%	3,790,000	882723CF4
	2029	4.000%	3,980,000	882723CG2
	2030	4.000%	4,135,000	882723CH0
	2031	4.000%	4,305,000	882723CJ6
	2032	4.125%	4,475,000	882723CK3
	2033	5.000%	4,660,000	882723CL1
			<u>\$ 38,240,000</u>	

These Refunded Bonds are to be called on October 2, 2023 at par.

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APPENDIX A
THE STATE OF TEXAS

As described in the body of the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION - Continuing Disclosure Undertaking of the Comptroller," the Texas Comptroller of Public Accounts (Comptroller) is required to file updated annual financial and operating data, audited financial statements of the State when received, and timely notice of certain events with the Municipal Securities Rulemaking Board (MSRB), and the Comptroller voluntarily files quarterly Bond Appendices and occasional notices of significant events.

The Official Statement hereby incorporates by reference the previously filed documents listed below, except for any information superseded by information that is included directly in the body of the Official Statement or incorporated by reference in a subsequent document, as well as any future filings that the Comptroller makes with the MSRB through EMMA prior to the termination of the offering of the Bonds under the Official Statement:

- State of Texas Annual Comprehensive Financial Report for the fiscal year ended August 31, 2022
- Bond Appendix: The State of Texas (May 2023, as may be supplemented by the Comptroller from time to time)
- Each notice, if any, filed with the MSRB by the Comptroller since the end of the fiscal year of the State addressed in the foregoing Annual Comprehensive Financial Report.

These documents and any subsequently filed documents, if any, may be obtained by accessing EMMA at <https://emma.msrb.org/>, using the EMMA Advanced Search function and entering the term "State of Texas Comptroller" in the Issuer Name field within the Security Information search filter. The documents may also be accessed on the Comptroller's website at: <https://comptroller.texas.gov/programs/systems/treasury-ops/index.php>. For further information see "CONTINUING DISCLOSURE OF INFORMATION - Continuing Disclosure Undertaking of the Comptroller" in the body of the Official Statement.

Information in the Bond Appendix, ACFR, and any notice incorporated herein by reference is provided as of the date specified in the documents. No representation is made that such documents contain all facts material to an evaluation of the ability of the State to pay principal of and interest on the Bonds when due, or the value of the Bonds, or that any specific information should be accorded any particular significance.

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APPENDIX B
SELECTED FINANCIAL DATA (UNAUDITED)

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Statement of Net Position - DFund II
UNAUDITED¹

	2018	2019	2020	2021	2022
ASSETS					
Current Assets:					
Cash and Cash Equivalents:					
Cash in State Treasury	\$ 91,528,940	\$ 84,925,680	\$ 138,221,750	\$ 169,622,716	\$ 108,579,884
Receivables from:					
Interest and Dividends	49,100,085	13,431,829	12,862,790	11,606,565	12,382,105
Interfund Receivables	26,038,798	25,497,291	25,158,919	24,494,640	19,862,648
Due From Other Funds	74,523,221	64,512,593	67,050,272	60,556,650	42,786,892
Loans and Contracts	31,263,815	21,876,404	23,979,195	23,505,649	24,973,427
Total Current Assets	272,454,858	210,243,797	267,272,925	289,786,220	208,584,956
Non-Current Assets:					
Loans and Contracts	1,081,217,864	891,206,460	856,314,266	803,973,617	903,281,189
Interfund Receivables	302,001,377	270,414,142	209,949,360	167,148,323	145,800,675
Total Non-Current Assets	1,383,219,242	1,161,620,602	1,066,263,626	971,121,940	1,049,081,864
Total Assets	\$ 1,655,674,100	\$ 1,371,864,399	\$ 1,333,536,551	\$ 1,260,908,160	\$ 1,257,666,820
LIABILITIES					
Current Liabilities:					
Payables from:					
Accounts Payable	\$ -	\$ 37,552	\$ -	\$ -	\$ -
Interest Payable	6,713,351	5,676,115	5,487,118	5,232,804	5,446,272
Due to Other Funds	74,523,221	62,295,625	65,651,230	59,486,981	41,870,725
General Obligation Bonds Payable	67,848,620	56,712,599	60,192,599	54,262,944	36,473,748
Total Current Liabilities	149,085,191	124,721,891	131,330,947	118,982,729	83,790,745
Non-Current Liabilities:					
General Obligation Bonds Payable	1,248,166,576	992,170,915	931,978,316	858,030,372	851,320,496
Total Non-Current Liabilities	1,248,166,576	992,170,915	931,978,316	858,030,372	851,320,496
Total Liabilities	\$ 1,397,251,767	\$ 1,116,892,806	\$ 1,063,309,263	\$ 977,013,101	\$ 935,111,241
NET POSITION					
Unrestricted	258,422,332	254,971,593	270,227,288	283,895,059	322,555,579
Total Net Position	\$ 258,422,332	\$ 254,971,593	\$ 270,227,288	\$ 283,895,059	\$ 322,555,579

Numbers may not add due to rounding

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

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

	2018	2019	2020	2021	2022
OPERATING REVENUES:					
Interest and Investment Income	\$ 66,098,215	\$ 43,826,509	\$ 51,681,608	\$ 45,633,630	\$ 44,120,214
Total Operating Revenues	66,098,215	43,826,509	51,681,608	45,633,630	44,120,214
OPERATING EXPENSES:					
Professional Fees and Services	523,179	276,492	25,128	13,215	2,551,956
Travel	-	1,838	-	-	-
Communication and Utilities					14,843
Printing and Reproduction	1,284	314	-	-	-
Interest	49,773,969	48,027,847	36,400,785	33,880,595	2,763,380
Other Operating Expenses	9,500	-	-	-	-
Total Operating Expenses	50,307,931	48,306,492	36,425,914	33,893,810	5,330,179
Operating Income (Loss)	15,790,284	(4,479,982)	15,255,695	11,739,820	38,790,035
Income/(Loss) before Other Revenues, Expenses, Gains/Losses and Transfers	15,790,284	(4,479,982)	15,255,695	11,739,820	38,790,035
OTHER REVENUES, EXPENSES, GAINS/LOSSES AND TRANSFERS:					
Transfers-In	63,143,501	47,898,511	56,437,053	43,693,442	3,279,210
Transfers-Out	(63,143,501)	(46,869,268)	(56,437,053)	(41,765,491)	(3,408,725)
Total Other Revenue, Expenses, Gain/Losses and Transfers	-	1,029,243	-	1,927,951	(129,515)
Change in Net Position	15,790,284	(3,450,740)	15,255,695	13,667,771	38,660,520
Total Net Position - September 1	242,632,049	258,422,332	254,971,593	270,227,288	283,895,059
Total Net Position - August 31	\$ 258,422,332	\$ 254,971,593	\$ 270,227,288	\$ 283,895,059	\$ 322,555,579

Numbers may not add due to rounding

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

Balance Sheet / Statement of Net Position - EDAP
UNAUDITED¹

	2018	2019	2020	2021	2022
ASSETS					
Current Assets:					
Cash and Cash Equivalents:					
Cash in State Treasury	\$ 2,237,468	\$ 925,410	\$ 878,344	\$ 813,343	\$ 833,757
Receivables From:					
Interest and Dividends	153,210	149,133	143,117	129,513	116,734
Loans and Contracts	1,832,701	1,917,836	1,915,566	1,918,584	1,969,694
Total Current Assets	4,223,379	2,992,379	2,937,028	2,861,439	2,920,186
Non-Current Assets:					
Loans & Contracts	21,348,838	22,951,002	20,538,436	18,619,852	16,650,157
Total Noncurrent Assets	21,348,838	22,951,002	20,538,436	18,619,852	16,650,157
Total Assets	\$ 25,572,217	\$ 25,943,381	\$ 23,475,464	\$ 21,481,291	\$ 19,570,343
LIABILITIES AND FUND BALANCES					
Liabilities:					
Current Liabilities:					
Payables From:					
Accounts Payable	\$ -	\$ 5,504	\$ -	\$ -	\$ -
Interest Payable	672,578	769,599	695,514	623,478	585,028
General Obligation Bonds Payable	22,874,134	23,229,761	22,144,761	22,124,761	20,702,246
Total Current Liabilities	23,546,712	24,004,864	22,840,275	22,748,239	21,287,274
Non-Current Liabilities:					
General Obligation Bonds Payable	190,889,959	218,450,843	196,306,082	174,181,321	149,988,323
Total Non-Current Liabilities	190,889,959	218,450,843	196,306,082	174,181,321	149,988,323
Total Liabilities	\$ 214,436,671	\$ 242,455,707	\$ 219,146,357	\$ 196,929,560	\$ 171,275,598
FUND FINANCIAL STATEMENT - FUND BALANCES					
Fund Balances (Deficits):					
Restricted	25,572,217	25,937,877	23,475,464	21,481,291	19,570,343
Government-Wide Statement of Net Position					
Net Position:					
Restricted for:					
Debt Retirement	(214,436,671)	(242,450,203)	(219,146,357)	(196,929,560)	(171,275,598)
Total Net Position²	\$ (188,864,454)	\$ (216,512,326)	\$ (195,670,893)	\$ (175,448,269)	\$ (151,705,255)

Numbers may not add due to rounding

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

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

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

	2018	2019	2020	2021	2022
REVENUES					
Interest and Other Investment Income	\$ 724,763	\$ 938,177	\$ 690,873	\$ 594,889	\$ 562,717
Total Revenues	724,763	938,177	690,873	594,889	562,717
EXPENDITURES					
Professional Fees and Services	10,747	490,068	14,568	9,000	110,773
Travel	-	269	-	-	-
Communication and Utilities	-	-	-	-	851
Printing and Reproduction	-	2,850	-	-	-
Intergovernmental Payments	(6,000)	33,257,116	(40)	-	(308,740)
Public Assistance Payments	-	17,795,000	-	-	-
Other Expenditures	-	-	-	-	308,535
Debt service:					
Interest	6,916,972	7,062,217	7,050,343	6,163,370	1,530,144
Total Expenditures	6,921,718	58,607,520	7,064,872	6,172,370	1,641,564
Excess (Deficiency) of Revenues Over Expenditures	(6,196,955)	(57,669,343)	(6,373,998)	(5,577,481)	(1,078,847)
OTHER FINANCING SOURCES (USES)					
Bond and Note Proceeds	-	-	-	-	92,291
Transfers In	29,886,794	33,277,979	30,319,489	28,369,526	27,533,699
Transfers Out	(2,599,451)	(3,256,508)	(3,104,058)	(2,569,421)	(2,804,130)
Total Other Financing Sources (Uses)	27,287,343	30,021,471	27,215,431	25,800,105	24,821,860
Net Change in Fund Balances/Net Position	21,090,388	(27,647,872)	20,841,433	20,222,624	23,743,014
STATEMENT OF NET POSITION					
Net Position - September 1	(209,954,842)	(188,864,454)	(216,512,326)	(195,670,893)	(175,448,269)
Net Position - August 31	\$ (188,864,454)	\$ (216,512,326)	\$ (195,670,893)	\$ (175,448,269)	\$ (151,705,255)

Numbers may not add due to rounding

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

APPENDIX C

PROPOSED FORMS OF BOND COUNSEL OPINIONS

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

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July 6, 2023

State of Texas
Water Financial Assistance Bonds,
Series 2023A

We have acted as Bond Counsel to the Texas Water Development Board (the “Board”) in connection with issuance of \$20,760,000 aggregate principal amount of State of Texas Water Financial Assistance Bonds, Series 2023A (the “Bonds”) issued pursuant to a resolution adopted by the Board on March 9, 2023 (the “Bond Resolution”) and an approval certificate dated June 21, 2023 executed pursuant to the Bond Resolution (the “Approval Certificate” and together with the Bond Resolution, the “Resolution”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

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

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

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

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State presently in effect; the Bonds constitute valid and legally binding obligations of the State enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and governmental agencies and the exercise of judicial discretion in appropriate cases.
2. The Bonds constitute valid and legally binding general obligations of the State, pursuant to Article III, Section 49-d-8 and Section 49-d-11 of the Constitution, as amended, and Subchapter L of Chapter 17 of the Texas Water Code, as amended, which made a continuing appropriation without the necessity of subsequent legislative appropriation of the first moneys, not otherwise appropriated by the Constitution, coming into the Treasury in each fiscal year, in an amount sufficient to pay the principal and interest on the Bonds scheduled to mature during such fiscal years; and that all official actions have been taken to render fully effective for the Bonds such source of payment and other sources prescribed in the cited provisions of the Constitution and in the enabling act; and that the full faith and credit of the State are pledged to the payment of principal and interest on the Bonds; and the Bonds have been authorized and delivered in accordance with law.
3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that, for tax years beginning after December 31, 2022, interest on the Bonds included in financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.



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

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

ORRICK, HERRINGTON & SUTCLIFFE LLP



July 6, 2023

State of Texas
Water Financial Assistance Refunding Bonds,
Series 2023B

We have acted as Bond Counsel to the Texas Water Development Board (the “Board”) in connection with issuance of \$35,750,000 aggregate principal amount of State of Texas Water Financial Assistance Refunding Bonds, Series 2023B (the “Bonds”) issued pursuant to a resolution adopted by the Board on March 9, 2023 (the “Bond Resolution”) and an approval certificate dated June 21, 2023 executed pursuant to the Bond Resolution (the “Approval Certificate” and together with the Bond Resolution, the “Resolution”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

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

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

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

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State presently in effect; the Bonds constitute valid and legally binding obligations of the State enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and governmental agencies and the exercise of judicial discretion in appropriate cases.
2. The Bonds constitute valid and legally binding general obligations of the State, pursuant to Article III, Section 49-d-8 and Section 49-d-9 of the Constitution, as amended, and Subchapter L of Chapter 17 of the Texas Water Code, as amended, which made a continuing appropriation without the necessity of subsequent legislative appropriation of the first moneys, not otherwise appropriated by the Constitution, coming into the Treasury in each fiscal year, in an amount sufficient to pay the principal and interest on the Bonds scheduled to mature during such fiscal years; and that all official actions have been taken to render fully effective for the Bonds such source of payment and other sources prescribed in the cited provisions of the Constitution and in the enabling act; and that the full faith and credit of the State are pledged to the payment of principal and interest on the Bonds; and the Bonds have been authorized and delivered in accordance with law.
3. The Escrow Agreement has been duly authorized, executed and delivered and is a binding and enforceable agreement in accordance with its terms and the outstanding obligations refunded, discharged, paid and retired with the proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in a fund with the Escrow Agent, pursuant to the Escrow Agreement and in accordance with the provisions of Texas Government Code, Chapter 1207, as amended. In rendering this opinion, we have relied upon the accuracy of the calculations contained in the Report as to the



sufficiency of cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that, for tax years beginning after December 31, 2022, interest on the Bonds included in financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

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

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

ORRICK, HERRINGTON & SUTCLIFFE LLP



July 6, 2023

State of Texas
Water Financial Assistance Bonds,
Series 2023C
(Economically Distressed Areas Program)

We have acted as Bond Counsel to the Texas Water Development Board (the “Board”) in connection with issuance of \$68,820,000 aggregate principal amount of State of Texas Water Financial Assistance Bonds, Series 2023C (Economically Distressed Areas Program) (the “Bonds”) issued pursuant to a resolution adopted by the Board on March 9, 2023 (the “Bond Resolution”) and an approval certificate dated June 21, 2023 executed pursuant to the Bond Resolution (the “Approval Certificate” and together with the Bond Resolution, the “Resolution”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

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

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

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

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State presently in effect; the Bonds constitute valid and legally binding obligations of the State enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and governmental agencies and the exercise of judicial discretion in appropriate cases.
2. The Bonds constitute valid and legally binding general obligations of the State, pursuant to Article III, Section 49-d-8 and Section 49-d-14 of the Constitution, as amended, and Subchapter L of Chapter 17 of the Texas Water Code, as amended, which made a continuing appropriation without the necessity of subsequent legislative appropriation of the first moneys, not otherwise appropriated by the Constitution, coming into the Treasury in each fiscal year, in an amount sufficient to pay the principal and interest on the Bonds scheduled to mature during such fiscal years; and that all official actions have been taken to render fully effective for the Bonds such source of payment and other sources prescribed in the cited provisions of the Constitution and in the enabling act; and that the full faith and credit of the State are pledged to the payment of principal and interest on the Bonds; and the Bonds have been authorized and delivered in accordance with law.
3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that, for tax years beginning after December 31, 2022, interest on the Bonds included in financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax



consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

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

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

ORRICK, HERRINGTON & SUTCLIFFE LLP



July 6, 2023

State of Texas
Water Financial Assistance Bonds,
Taxable Series 2023D
(Economically Distressed Areas Program)

We have acted as Bond Counsel to the Texas Water Development Board (the “Board”) in connection with issuance of \$24,875,000 aggregate principal amount of State of Texas Water Financial Assistance Bonds, Taxable Series 2023D (Economically Distressed Areas Program) (the “Bonds”) issued pursuant to a resolution adopted by the Board on May 4, 2023 (the “Bond Resolution”) and an approval certificate dated June 21, 2023 executed pursuant to the Bond Resolution (the “Approval Certificate” and together with the Bond Resolution, the “Resolution”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

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

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

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

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State presently in effect; the Bonds constitute valid and legally binding obligations of the State enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and governmental agencies and the exercise of judicial discretion in appropriate cases.
2. The Bonds constitute valid and legally binding general obligations of the State, pursuant to Article III, Section 49-d-8 and Section 49-d-14 of the Constitution, as amended, and Subchapter L of Chapter 17 of the Texas Water Code, as amended, which made a continuing appropriation without the necessity of subsequent legislative appropriation of the first moneys, not otherwise appropriated by the Constitution, coming into the Treasury in each fiscal year, in an amount sufficient to pay the principal and interest on the Bonds scheduled to mature during such fiscal years; and that all official actions have been taken to render fully effective for the Bonds such source of payment and other sources prescribed in the cited provisions of the Constitution and in the enabling act; and that the full faith and credit of the State are pledged to the payment of principal and interest on the Bonds; and the Bonds have been authorized and delivered in accordance with law.

We observe that interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. We express no opinion regarding any tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.



We have assumed compliance with all covenants and agreements contained in the Resolution.

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.

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX D
SCHEDULE OF DEBT SERVICE REQUIREMENTS

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SCHEDULE OF DEBT SERVICE REQUIREMENTS*

\$20,760,000 State of Texas Water Financial Assistance Bonds, Series 2023A	\$35,750,000 State of Texas Water Financial Assistance Refunding Bonds, Series 2023B
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Fiscal Year	Total Existing Debt Service	Less:		2023A Bonds Debt Service		2023B Bonds Debt Service		Projected Total Debt Service
		Refunded Debt Service		Principal	Interest	Principal	Interest	
2023	\$ 69,458,860	\$ 874,322	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,584,538
2024	67,550,234	4,043,644	370,000	1,110,083	1,955,000	1,911,632		68,853,306
2025	67,050,174	5,043,894	460,000	1,019,500	3,175,000	1,689,750		68,350,530
2026	64,883,457	5,043,394	480,000	996,500	3,335,000	1,531,000		66,182,563
2027	63,283,016	4,894,394	505,000	972,500	3,355,000	1,364,250		64,585,372
2028	58,836,933	4,893,894	530,000	947,250	3,520,000	1,196,500		60,136,789
2029	60,113,530	4,894,394	555,000	920,750	3,695,000	1,020,500		61,410,386
2030	58,114,237	4,890,194	585,000	893,000	3,875,000	835,750		59,412,793
2031	58,971,296	4,894,794	615,000	863,750	4,075,000	642,000		60,272,252
2032	50,292,489	4,892,594	645,000	833,000	4,275,000	438,250		51,591,145
2033	50,399,979	4,893,000	675,000	800,750	4,490,000	224,500		51,697,229
2034	45,624,393		710,000	767,000				47,101,393
2035	45,688,594		745,000	731,500				47,165,094
2036	48,375,144		785,000	694,250				49,854,394
2037	53,967,793		825,000	655,000				55,447,793
2038	54,448,563		865,000	613,750				55,927,313
2039	64,056,781		905,000	570,500				65,532,281
2040	64,232,531		955,000	525,250				65,712,781
2041	64,418,231		1,000,000	477,500				65,895,731
2042	33,205,481		1,050,000	427,500				34,682,981
2043	33,397,344		1,105,000	375,000				34,877,344
2044	33,581,906		1,160,000	319,750				35,061,656
2045	33,777,238		1,215,000	261,750				35,253,988
2046	8,275,719		1,275,000	201,000				9,751,719
2047			1,340,000	137,250				1,477,250
2048			1,405,000	70,250				1,475,250
	<u>\$ 1,252,003,923</u>	<u>\$ 49,258,516</u>	<u>\$ 20,760,000</u>	<u>\$ 16,184,333</u>	<u>\$ 35,750,000</u>	<u>\$ 10,854,132</u>		<u>\$ 1,286,293,873</u>

* Totals may not add due to rounding.

SCHEDULE OF DEBT SERVICE REQUIREMENTS*

\$68,820,000
 State of Texas
 Water Financial Assistance
 Bonds, Series 2023C
 (Economically Distressed Areas Program)

\$24,875,000
 State of Texas
 Water Financial Assistance
 Bonds, Taxable Series 2023D
 (Economically Distressed Areas Program)

Fiscal Year	Total Existing Debt Service	2023C Bonds Debt Service		2023D Bonds Debt Service		Projected Total Debt Service
		Principal	Interest	Principal	Interest	
2023	\$ 25,481,556	\$ 5,270,000	\$ 229,670	\$ -	\$ -	\$ 30,981,226
2024	24,166,072	3,345,000	3,043,750	1,310,000	1,315,181	33,180,003
2025	20,247,488	3,345,000	2,876,500	1,310,000	1,160,704	28,939,692
2026	17,247,488	3,345,000	2,709,250	1,310,000	1,095,204	25,706,942
2027	14,738,925	3,345,000	2,542,000	1,310,000	1,029,704	22,965,629
2028	14,309,675	3,345,000	2,374,750	1,310,000	964,204	22,303,629
2029	13,142,175	3,345,000	2,207,500	1,310,000	898,704	20,903,379
2030	11,414,975	3,345,000	2,040,250	1,310,000	833,204	18,943,429
2031	11,000,475	3,345,000	1,873,000	1,310,000	767,704	18,296,179
2032	10,673,825	3,345,000	1,705,750	1,310,000	702,204	17,736,779
2033	7,729,425	3,345,000	1,538,500	1,310,000	636,704	14,559,629
2034	7,483,775	3,345,000	1,371,250	1,310,000	571,204	14,081,229
2035	7,235,144	3,345,000	1,204,000	1,310,000	510,734	13,604,878
2036	2,758,631	3,345,000	1,036,750	1,310,000	448,954	8,899,335
2037	2,677,219	3,345,000	869,500	1,310,000	386,258	8,587,977
2038	2,592,675	3,345,000	702,250	1,310,000	322,775	8,272,700
2039	-	3,345,000	535,000	1,310,000	258,638	5,448,638
2040	-	3,345,000	401,200	1,305,000	193,793	5,244,993
2041	-	3,345,000	267,400	1,305,000	129,195	5,046,595
2042	-	3,340,000	133,600	1,305,000	64,598	4,843,198
	<u>\$ 192,899,523</u>	<u>\$ 68,820,000</u>	<u>\$29,661,870</u>	<u>\$ 24,875,000</u>	<u>\$12,289,660</u>	<u>\$ 328,546,053</u>

* Totals may not add due to rounding.

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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 Bond Resolutions will be given only to DTC.

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