

OFFICIAL STATEMENT DATED APRIL 11, 2018

NEW ISSUE -- BOOK-ENTRY-ONLY

Ratings: Fitch: "AAA"; S&P: "AAA"
(See "OTHER INFORMATION – Ratings")

In the opinion of Bond Counsel, under existing law interest on the Series 2018 Bonds is excludable from gross income for federal income tax purposes and the Series 2018 Bonds are not "specified private activity bonds." See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.



\$288,395,000
TEXAS WATER DEVELOPMENT BOARD
STATE REVOLVING FUND REVENUE BONDS,
NEW SERIES 2018

Interest Accrual: Date of Delivery (hereinafter defined)

Due: August 1, as shown on inside cover

The Texas Water Development Board (the "Board") is issuing the State Revolving Fund Revenue Bonds, New Series 2018 (the "Series 2018 Bonds") pursuant to a Master Resolution adopted on March 1, 2018, effective as of the Date of Delivery (the "Master Resolution"), and a First Supplemental Resolution to the Master Resolution adopted by the Board on March 1, 2018 (the "First Supplemental Resolution"). The Master Resolution and the First Supplemental Resolution are collectively referred to herein as the "Resolution." See "INTRODUCTION." Defined terms used in this Official Statement shall have the meanings given in the Resolution. See "APPENDIX A – Related Definitions."

Interest on the Series 2018 Bonds will accrue from the Date of Delivery at the rates of interest shown on the inside front cover page hereof. Interest will be initially payable on February 1, 2019, and on each August 1 and February 1 thereafter until maturity or prior redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months, until maturity or prior redemption. The Series 2018 Bonds will be issued only as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof within a maturity.

The Board initially will issue the Series 2018 Bonds registered only in the name of Cede & Co., the nominee of DTC, pursuant to the book-entry-only system described in "Appendix H - Description of Book-Entry-Only System and Global Clearance Procedures." Principal of the Series 2018 Bonds will be payable to Cede & Co., which will make distributions of the payments to the participating members of DTC for subsequent remittance to the Beneficial Owners (as defined in Appendix H). In the event the Series 2018 Bonds are not in the book-entry-only system, payment of principal of the Series 2018 Bonds will be made to the registered owner upon maturity or redemption prior to maturity only upon presentation and surrender of such Series 2018 Bonds at the Designated Payment/Transfer Office of The Bank of New York Mellon Trust Company, N.A., as initial Paying Agent/Registrar (the "Paying Agent/Registrar"). As of the date hereof, the Designated Payment/Transfer Office of the Paying Agent/Registrar is its Dallas, Texas corporate trust office.

The security for the Series 2018 Bonds consists of (i) all Pledged SRF Revenues; (ii) all Political Subdivision Bonds and Government Obligations held in the CWSRF Portfolio Account (except as described in "APPENDIX F – Summary of the Master Resolution and First Supplemental Resolution – *Release of Political Subdivision Bonds*"), all amounts in the CWSRF Revenue Account and the CWSRF Program Account pending disbursement thereof; (iii) all Political Subdivision Bonds and Government Obligations held in the DWSRF Portfolio Account (except as described in "APPENDIX F – Summary of the Master Resolution and First Supplemental Resolution – *Release of Political Subdivision Bonds*"), all amounts in the DWSRF Revenue Account and the DWSRF Program Account pending disbursement thereof; (iv) all amounts in the Operating Account pending disbursement thereof; (v) all amounts held in the Portfolio Redemption Account; and (vi) all of the proceeds of the foregoing, including, without limitation, investments thereof (the "Security for the SRF Bonds"). The Security for the SRF Bonds includes revenues transferred from the CWSRF after the payment of bonds outstanding under the terms of the "CWSRF Master Resolution" (as defined herein). The CWSRF Master Resolution also is referred to herein as the "Existing Resolution." The Master Resolution provides that (i) the Board will continue to make transfers of revenues as provided in the CWSRF Master Resolution to support the payment of outstanding bonds issued under the terms of the CWSRF Master Resolution and (ii) upon the adoption of the Master Resolution, the Board will not issue or incur any additional obligations under the CWSRF Master Resolution, it being the intent of the Board that no first, second or third lien obligations secured by the revenues of the CWSRF shall be permitted to be issued under the CWSRF Master Resolution. **Subject to the terms of the CWSRF Master Resolution, the Series 2018 Bonds and other obligations issued on a parity with the Series 2018 Bonds (the "SRF Bonds") pursuant to the terms of the Master Resolution shall be equally and ratably secured by and payable from the Security for the SRF Bonds.** See "PLAN OF FINANCE". In adopting the Master Resolution, the Board exercised authority reserved by the Board in the CWSRF Master Resolution to effect the cross-collateralization of money and other assets of the CWSRF and the DWSRF to secure payment of debt service of the SRF Bonds, including the Series 2018 Bonds, to the extent money and other assets of the CWSRF are not sufficient to pay debt service on SRF Bonds issued to augment the CWSRF, or to the extent money and other assets of the Safe Drinking Water State Revolving Fund (the "DWSRF") are not sufficient to pay debt service on SRF Bonds issued to augment the DWSRF, as the case may be.

The proceeds from the sale of the Series 2018 Bonds will be used to provide funds (1) to the CWSRF and the DWSRF to finance the acquisition of Political Subdivision Bonds, including State Match requirements (see "INTRODUCTION" and "APPENDIX B – State Revolving Funds – Federal Overview") and (2) to pay the costs of issuance of the Series 2018 Bonds. The Series 2018 Bonds are subject to (i) optional redemption prior to their stated maturity, (ii) optional and mandatory redemption using Sale Proceeds and Prepayments as described herein, and (iii) extraordinary mandatory redemption. See "THE SERIES 2018 BONDS - Redemption."

The Series 2018 Bonds are issued under authority of the laws of the State of Texas, including specifically Subchapter J, Chapter 15 and Subchapter I, Chapter 17, Texas Water Code, as amended, and Chapter 1371, Texas Government Code, as amended. The Series 2018 Bonds shall never constitute general obligations of the Board or the State of Texas within the meaning of any constitutional or statutory provision or limitation. Issuance of the Series 2018 Bonds shall not, directly, indirectly or contingently, obligate the State of Texas to levy any form of taxation therefor or make any appropriation for their payment. The Board has no taxing power.

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

The Series 2018 Bonds are offered for delivery when, as and if issued, and are subject to the approval of the Attorney General of the State of Texas and subject to the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Bond Counsel. Certain legal matters will be passed upon for the Board by Bracewell LLP, Houston, Texas, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. It is expected that the Series 2018 Bonds will be delivered through the facilities of DTC on or about April 26, 2018 (the "Date of Delivery").

FROST BANK
MESIROW FINANCIAL, INC.

RBC CAPITAL MARKETS
WELLS FARGO SECURITIES

JEFFERIES
STERN BROTHERS & CO.

MATURITY SCHEDULE

\$288,395,000
TEXAS WATER DEVELOPMENT BOARD
STATE REVOLVING FUND REVENUE BONDS, NEW SERIES 2018

CUSIP Prefix: 882854⁽²⁾

Maturity (August 1) ⁽¹⁾	Principal Amount (\$)	Interest Rate (%)	Initial Yield (%)	CUSIP ⁽²⁾ Suffix
2019	\$ 7,315,000	4.000	1.710	C26
2020	11,280,000	4.000	1.790	C34
2021	11,730,000	5.000	1.920	C42
2022	12,310,000	5.000	2.070	C59
2023	12,920,000	5.000	2.140	C67
2024	13,565,000	5.000	2.260	C75
2025	14,250,000	5.000	2.350	C83
2026	14,965,000	5.000	2.430	C91
2027	15,710,000	5.000	2.490	D25
2028	16,500,000	5.000	2.570 ⁽³⁾	D33
2029	12,620,000	5.000	2.630 ⁽³⁾	D41
2030	13,250,000	5.000	2.690 ⁽³⁾	D58
2031	13,915,000	5.000	2.730 ⁽³⁾	D66
2032	14,615,000	5.000	2.770 ⁽³⁾	D74
2033	15,340,000	5.000	2.810 ⁽³⁾	D82
2034	16,105,000	5.000	2.850 ⁽³⁾	D90
2035	16,915,000	4.000	3.220 ⁽³⁾	E24
2036	17,595,000	4.000	3.250 ⁽³⁾	E32
2037	18,290,000	5.000	2.940 ⁽³⁾	E40
2038	19,205,000	5.000	2.960 ⁽³⁾	E57

(Interest accrues from Date of Delivery)

⁽¹⁾ The Series 2018 Bonds maturing on or after August 1, 2028 are subject to optional redemption at the option of the Board, in whole or in part, prior to their stated maturity on August 1, 2027, or any date thereafter, at a redemption price of par plus accrued interest thereon to the date of redemption. The Series 2018 Bonds are subject to optional and mandatory redemption using Sale Proceeds and Prepayments and extraordinary mandatory redemption as described herein. See “THE BONDS - Redemption.”

⁽²⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the services provided by CUSIP. The Board, the Financial Advisor, and the Underwriters are not responsible for the selection or correctness of the CUSIP numbers set forth herein.

⁽³⁾ Yield calculated to the first optional call date at par, August 1, 2027.

Separate Issuance of SWIRFT Revenue Bonds. Concurrently with the offering and sale of the Series 2018 Bonds, the Board expects to offer and sell certain State Water Implementation Revenue Fund for Texas Revenue Bonds (the “2018 SWIRFT Bonds”) in April 2018 pursuant to a separate resolution of the Board and separate Official Statement. See “APPENDIX C—TEXAS WATER DEVELOPMENT BOARD—Financial Assistance Programs other than the CWSRF and DWSRF Programs.” The 2018 SWIRFT Bonds are not being offered pursuant to this Official Statement. The Series 2018 Bonds and the 2018 SWIRFT Bonds are each separate and distinct securities offerings, are being sold independently, and have different features, including the security for each obligation. Holders of the Series 2018 Bonds will have no rights to the proceeds of the 2018 SWIRFT Bonds or the property pledged as security for the payment thereof, and holders of the 2018 SWIRFT Bonds will have no rights to the proceeds of the Series 2018 Bonds or the property pledged as security for the payment thereof.

TEXAS WATER DEVELOPMENT BOARD

Members

Peter M. Lake, Chairman
Kathleen Jackson, Member
Brooke Paup, Member

Term Expiration

February 1, 2021
February 1, 2023
February 1, 2019

STAFF MEMBERS

Jeff Walker
Amanda Lavin
Jessica Zuba
Rebecca Trevino
Georgia Sanchez

Todd Chenoweth

Executive Administrator
Assistant Executive Administrator
Deputy Executive Administrator
Chief Financial Officer
Debt Portfolio Manager and
Development Fund Manager
General Counsel

BOND COUNSEL

McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

FINANCIAL ADVISOR

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

DISCLOSURE COUNSEL

Bracewell LLP
Houston, Texas

PAYING AGENT/REGISTRAR

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

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

No dealer, broker, salesman or other person has been authorized by the Board or the Underwriters to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations 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 a solicitation of an offer to buy, Series 2018 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such jurisdiction.

Certain information set forth herein has been obtained from the Board and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriters. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Board or other matters described herein since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2018 BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2018 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

NEITHER THE BOARD, ITS FINANCIAL ADVISOR NOR THE UNDERWRITERS MAKE 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.

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.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (“SEC”) NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

No registration statement relating to the Series 2018 Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon an exemption provided thereunder. The Series 2018 Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Series 2018 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 Series 2018 Bonds under the securities laws of any jurisdiction in which the Series 2018 Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Series 2018 Bonds will not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

REFERENCES HEREIN TO THE “ISSUER” MEANS THE TEXAS WATER DEVELOPMENT BOARD AND REFERENCES TO “BONDS” OR “SECURITIES” MEAN THE SERIES 2018 BONDS OFFERED HEREBY. NEITHER THE ISSUER NOR THE UNDERWRITERS ASSUME ANY RESPONSIBILITY FOR THIS SECTION.

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF \$5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 30 UNITS (BEING 30 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF \$150,000).

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA (“EEA”). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, “MIFID II”); OR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE 2002/92/EC (AS AMENDED, THE “INSURANCE MEDIATION DIRECTIVE”), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN DIRECTIVE 2003/71/EC (AS AMENDED, THE “PROSPECTUS DIRECTIVE”). CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (AS AMENDED, THE “PRIIPS REGULATION”) FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

THIS OFFICIAL STATEMENT HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE SERIES 2018 BONDS TO ANY PERSON THAT IS LOCATED WITHIN A MEMBER STATE OF THE EEA WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 3 OF THE, PROSPECTUS DIRECTIVE, AS IMPLEMENTED IN MEMBER STATES OF THE EEA, FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR OFFERS OF THE SECURITIES. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE ANY OFFER IN THE EEA OF THE SERIES 2018 BONDS SHOULD ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY OF THE UNDERWRITERS TO PRODUCE A PROSPECTUS FOR SUCH OFFER. NEITHER THE ISSUER NOR THE UNDERWRITERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF SERIES 2018 BONDS THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE UNDERWRITERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE SERIES 2018 BONDS CONTEMPLATED IN THIS OFFICIAL STATEMENT.

IN RELATION TO EACH MEMBER STATE OF THE EEA THAT HAS IMPLEMENTED THE PROSPECTUS DIRECTIVE (EACH, A “RELEVANT MEMBER STATE”), WITH EFFECT FROM AND INCLUDING THE DATE ON WHICH THE PROSPECTUS DIRECTIVE IS IMPLEMENTED IN THAT RELEVANT MEMBER STATE, THE OFFER OF ANY SERIES 2018 BONDS WHICH IS THE SUBJECT OF THE OFFERING CONTEMPLATED BY THIS OFFICIAL STATEMENT IS NOT BEING MADE AND WILL NOT BE MADE TO THE PUBLIC IN THAT RELEVANT MEMBER STATE, OTHER THAN: (A) TO ANY LEGAL ENTITY WHICH IS A “QUALIFIED INVESTOR” AS SUCH TERM IS DEFINED IN THE PROSPECTUS DIRECTIVE; (B) TO FEWER THAN 150 NATURAL OR LEGAL PERSONS (OTHER THAN “QUALIFIED INVESTORS” AS SUCH TERM IS DEFINED IN THE PROSPECTUS DIRECTIVE), SUBJECT TO OBTAINING THE PRIOR CONSENT OF THE RELEVANT INITIAL PURCHASER OR THE ISSUER FOR ANY SUCH OFFER OR (C) IN ANY OTHER CIRCUMSTANCES FALLING WITHIN ARTICLE 3(2) OF THE PROSPECTUS DIRECTIVE; PROVIDED THAT NO SUCH OFFER OF THE SERIES 2018 BONDS SHALL REQUIRE THE ISSUER OR THE

INITIAL PURCHASERS TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS DIRECTIVE OR A SUPPLEMENT TO A PROSPECTUS PURSUANT TO ARTICLE 16 OF THE PROSPECTUS DIRECTIVE.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN “OFFER OF SECURITIES TO THE PUBLIC” IN RELATION TO THE SERIES 2018 BONDS IN ANY RELEVANT MEMBER STATE MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE SERIES 2018 BONDS TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE THE SERIES 2018 BONDS, AS THE SAME MAY BE VARIED IN THAT RELEVANT MEMBER STATE BY ANY MEASURE IMPLEMENTING THE PROSPECTUS DIRECTIVE IN THAT RELEVANT MEMBER STATE.

EACH SUBSCRIBER FOR OR PURCHASER OF THE SECURITIES IN THE OFFERING LOCATED WITHIN A RELEVANT MEMBER STATE WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT IT IS A “QUALIFIED INVESTOR” WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE. THE ISSUER AND EACH INITIAL PURCHASER AND OTHERS WILL RELY ON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATION, ACKNOWLEDGEMENT AND AGREEMENT.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

THIS OFFICIAL STATEMENT IS FOR DISTRIBUTION ONLY TO, AND IS DIRECTED SOLELY AT, PERSONS WHO (I) ARE INVESTMENT PROFESSIONALS AS SUCH TERM IS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE “FINANCIAL PROMOTION ORDER”), (II) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER, (III) ARE OUTSIDE THE UNITED KINGDOM, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (THE “FSMA”)) IN CONNECTION WITH THE ISSUE OR SALE OF ANY BONDS MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THIS OFFICIAL STATEMENT IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFICIAL STATEMENT OR ANY OF ITS CONTENTS. THIS OFFICIAL STATEMENT HAS NOT BEEN APPROVED FOR THE PURPOSES OF SECTION 21 OF THE FSMA AND DOES NOT CONSTITUTE AN OFFER TO THE PUBLIC IN ACCORDANCE WITH THE PROVISIONS OF SECTION 85 OF THE FSMA.

NOTICE TO PROSPECTIVE INVESTORS OF HONG KONG

THE CONTENTS OF THIS OFFICIAL STATEMENT HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFER OF THE BONDS. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS OFFICIAL STATEMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

THIS OFFICIAL STATEMENT HAS NOT BEEN, AND WILL NOT BE, REGISTERED AS A PROSPECTUS (AS DEFINED IN THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CHAPTER 32 OF THE LAWS OF HONG KONG)) IN HONG KONG NOR HAS IT BEEN APPROVED BY THE SECURITIES AND FUTURES COMMISSION OF HONG KONG PURSUANT TO THE SECURITIES AND FUTURES ORDINANCE (CHAPTER 571 OF THE LAWS OF HONG KONG) (“SFO”). ACCORDINGLY, THE BONDS MAY NOT BE OFFERED OR SOLD IN HONG KONG BY MEANS OF THIS OFFICIAL STATEMENT OR ANY OTHER DOCUMENT, AND THIS OFFICIAL STATEMENT MUST NOT BE ISSUED, CIRCULATED OR DISTRIBUTED IN HONG KONG, OTHER THAN TO 'PROFESSIONAL INVESTORS' AS DEFINED IN THE

SFO AND ANY RULES MADE UNDER THE SFO. IN ADDITION, NO PERSON MAY ISSUE OR HAVE IN ITS POSSESSION FOR THE PURPOSES OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE, ANY ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE BONDS, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC OF HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO BONDS WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY (A) TO PERSONS OUTSIDE HONG KONG, (B) TO ‘PROFESSIONAL INVESTORS’ AS DEFINED IN THE SFO AND ANY RULES MADE UNDER THE SFO.

NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND

THIS OFFICIAL STATEMENT IS NOT INTENDED TO CONSTITUTE AN OFFER OR A SOLICITATION TO PURCHASE OR INVEST IN THE BONDS. THE BONDS MAY NOT BE PUBLICLY OFFERED, SOLD OR ADVERTISED, DIRECTLY OR INDIRECTLY, IN, INTO OR FROM SWITZERLAND AND WILL NOT BE LISTED ON THE SIX SWISS EXCHANGE OR ON ANY OTHER EXCHANGE OR REGULATED TRADING FACILITY IN SWITZERLAND. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS CONSTITUTES A PROSPECTUS AS SUCH TERM IS UNDERSTOOD PURSUANT TO ART. 652A OR ART. 1156 OF THE SWISS CODE OF OBLIGATIONS OR A LISTING PROSPECTUS WITHIN THE MEANING OF THE LISTING RULES OF THE SIX SWISS EXCHANGE OR ANY OTHER REGULATED TRADING FACILITY IN SWITZERLAND, AND NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS MAY BE PUBLICLY DISTRIBUTED OR OTHERWISE MADE PUBLICLY AVAILABLE IN SWITZERLAND. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE OFFERING, NOR THE ISSUER, NOR THE BONDS HAVE BEEN OR WILL BE FILED WITH OR APPROVED BY ANY SWISS REGULATORY AUTHORITY. THE BONDS ARE NOT SUBJECT TO SUPERVISION BY ANY SWISS REGULATORY AUTHORITY, E.G., THE SWISS FINANCIAL MARKET SUPERVISORY AUTHORITY FINMA, AND INVESTORS IN THE BONDS WILL NOT BENEFIT FROM PROTECTION OR SUPERVISION BY SUCH AUTHORITY.

SELLING RESTRICTIONS FOR OFFER OF SECURITIES IN SINGAPORE

THIS OFFICIAL STATEMENT HAS NOT BEEN AND WILL NOT BE REGISTERED AS A PROSPECTUS WITH THE MONETARY AUTHORITY OF SINGAPORE. ACCORDINGLY, THIS OFFICIAL STATEMENT AND ANY OTHER DOCUMENT OR MATERIAL IN CONNECTION WITH THE OFFER OR SALE, OR INVITATION FOR SUBSCRIPTION OR PURCHASE, OF THE BONDS MAY NOT BE CIRCULATED OR DISTRIBUTED, NOR MAY THE BONDS BE OFFERED OR SOLD, OR BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, WHETHER DIRECTLY OR INDIRECTLY, TO PERSONS IN SINGAPORE OTHER THAN (I) TO AN INSTITUTIONAL INVESTOR UNDER SECTION 274 OF THE SECURITIES AND FUTURES ACT, CHAPTER 289 OF SINGAPORE (THE “SFA”), (II) TO A RELEVANT PERSON PURSUANT TO SECTION 275(1), OR ANY PERSON PURSUANT TO SECTION 275(1A), AND IN ACCORDANCE WITH THE CONDITIONS SPECIFIED IN SECTION 275, OF THE SFA, OR (III) OTHERWISE PURSUANT TO, AND IN ACCORDANCE WITH THE CONDITIONS OF, ANY OTHER APPLICABLE PROVISION OF THE SFA.

WHERE THE BONDS ARE SUBSCRIBED OR PURCHASED UNDER SECTION 275 OF THE SFA BY A RELEVANT PERSON WHICH IS:

(A) A CORPORATION (WHICH IS NOT AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA)) THE SOLE BUSINESS OF WHICH IS TO HOLD INVESTMENTS AND THE ENTIRE SHARE CAPITAL OF WHICH IS OWNED BY ONE OR MORE INDIVIDUALS, EACH OF WHOM IS AN ACCREDITED INVESTOR; OR

(B) A TRUST (WHERE THE TRUSTEE IS NOT AN ACCREDITED INVESTOR) WHOSE SOLE PURPOSE IS TO HOLD INVESTMENTS AND EACH BENEFICIARY OF THE TRUST IS AN INDIVIDUAL WHO IS AN ACCREDITED INVESTOR,

SECURITIES (AS DEFINED IN SECTION 239(1) OF THE SFA) OF THAT CORPORATION OR THE BENEFICIARIES' RIGHTS AND INTEREST (HOWSOEVER DESCRIBED) IN THAT TRUST SHALL NOT BE TRANSFERRED WITHIN SIX MONTHS AFTER THAT CORPORATION OR THAT TRUST HAS ACQUIRED SUCH BONDS PURSUANT TO AN OFFER MADE UNDER SECTION 275 OF THE SFA, EXCEPT:

(1) TO AN INSTITUTIONAL INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA) OR TO A RELEVANT PERSON (AS DEFINED IN SECTION 275(2) OF THE SFA), OR TO ANY PERSON ARISING FROM AN OFFER REFERRED TO IN SECTION 275(1A) OR SECTION 276(4)(I)(B) OF THE SFA;

(2) WHERE NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER;

(3) WHERE THE TRANSFER IS BY OPERATION OF LAW;

(4) AS SPECIFIED IN SECTION 276(7) OF THE SFA; OR

(5) AS SPECIFIED IN REGULATION 32 OF THE SECURITIES AND FUTURES (OFFERS OF INVESTMENTS) (SHARES AND DEBENTURES) REGULATIONS 2005 OF SINGAPORE.

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Official Statement

\$288,395,000

TEXAS WATER DEVELOPMENT BOARD STATE REVOLVING FUND REVENUE BONDS, NEW SERIES 2018

INTRODUCTION

This Official Statement, including the cover page, maturity schedule and the appendices hereto, sets forth certain information describing the Texas Water Development Board (the “Board”), certain of the Board’s programs, including the State Water Pollution Control Revolving Fund, commonly referred to as the Clean Water State Revolving Fund (“CWSRF”) and the Safe Drinking Water State Revolving Fund, commonly referred to as the Drinking Water State Revolving Fund (DWSRF, and together with the CWSRF, the “State Revolving Funds” or the “SRFs”), and the proposed issuance by the Board of its State Revolving Fund Revenue Bonds, New Series 2018 (the “Series 2018 Bonds”). The Series 2018 Bonds are being issued pursuant to a new Master Resolution adopted by the Board on March 1, 2018 (the “Master Resolution”), a First Supplemental Resolution adopted by the Board on March 1, 2018 (the “First Supplemental Resolution”), and the terms of a bond purchase agreement pertaining to the sale of the Series 2018 Bonds (the “Bond Purchase Agreement”). Pursuant to authority conferred by the First Supplemental Resolution, the Authorized Representative is authorized to act on behalf of the Board in selling and delivering the Series 2018 Bonds through the execution of the Bond Purchase Agreement. The Master Resolution and the First Supplemental Resolution are sometimes hereinafter collectively referred to as the “Resolution.” The Master Resolution governs the revenue bond program and the issuance of SRF Bonds (defined herein). Terms used but not defined herein are defined in Appendix A.

Master Resolution

The Master Resolution establishes a comprehensive financing program to accommodate the issuance or incurrence of different types of obligations that are secured by a lien on the Security for the SRF Bonds on a parity with the lien thereon that secures issues of notes and bonds, including the Series 2018 Bonds, from time to time issued or incurred under the Master Resolution. The Series 2018 Bonds are the first issuance of obligations under the terms of the Master Resolution. The Series 2018 Bonds and any SRF Bonds hereafter issued are equally and ratably secured by and payable from a lien on and pledge of the Security for the SRF Bonds. See “INTRODUCTION – Cross-Collateralization of State Revolving Funds,” and “THE SERIES 2018 BONDS – Security.” The Resolution also provides for and authorizes the Board to enter into Credit Enhancement Agreements in connection with the issuance of Bonds secured by a lien on and pledge of the Security for the SRF Bonds. See “STATE REVOLVING FUNDS” herein for a description of the outstanding obligations heretofore issued by the Board in support of the SRF financing program. Also see “INTRODUCTION – Cross-Collateralization of State Revolving Funds” herein.

The Master Resolution establishes a comprehensive financing program pursuant to authority conferred by and in accordance with the provisions of the Constitution and laws of the State, particularly the SRF Act, the Bond Act and Chapter 1371, in order to: (i) provide funds, including state matching funds, to augment the CWSRF; (ii) provide funds, including state matching funds, to augment the DWSRF; (iii) fund any reserve or other fund established in connection with the issuance of SRF Bonds; (iv) refund and refinance outstanding obligations secured in whole or in part by a pledge of the Security for the SRF Bonds; (v) consolidate revenues and other assets of the CWSRF and the DWSRF to secure SRF Bonds and Subordinate Obligations under authority of State law to cross-collateralize any State Revolving Fund administered by the Board, including, without limitation, the CWSRF and the DWSRF; (vi) pay the cost of issuance of SRF Bonds; and (vii) provide funds for any other lawful purpose. See “INTRODUCTION – Cross-Collateralization of State Revolving Funds” and “PLAN OF FINANCE.” State matching funds provided to obtain federal capitalization grants for the CWSRF and the DWSRF are referred to herein as “State Match.”

Brief descriptions of the Board, the Depository Trust Company, New York, New York (“DTC”) and certain provisions of the Series 2018 Bonds, are included in this Official Statement. A description of the Clean Water State Revolving Fund and Drinking Water State Revolving Fund are attached hereto as Appendix B. A description of the Board is attached hereto as Appendix C. A description of the Political Subdivision Bonds currently held in the State Revolving Fund is attached hereto as Appendix D. The proposed form of the opinion of Bond Counsel is attached hereto as Appendix E. A summary of the Master Resolution and First Supplemental Resolution affecting the use and disposition of the Security for the SRF Bonds (hereinafter defined) and certain other terms and procedures affecting the SRF Bonds, including the Series 2018 Bonds, is attached hereto as Appendix F. The Unaudited Financial Statements of the CWSRF and the DWSRF is attached hereto as Appendix G. A description of DTC and its Book-Entry-Only System is attached hereto as Appendix H. The descriptions, summaries and excerpts herein of the Master

Resolution and First Supplemental Resolution are qualified in their entirety by reference to such documents and are further qualified by reference to laws relating to or affecting generally the enforcement of creditors' rights and principles of equity. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision. Unless otherwise defined herein, capitalized terms used in this Official Statement shall have the meaning given to such terms in the Resolution.

Cross-Collateralization of State Revolving Funds

By adopting the Master Resolution, the Board intends to create a single, combined financing program to provide funds to the CWSRF and the DWSRF in an efficient manner through the issuance of SRF Bonds. The cross-collateralization of money and other assets of the CWSRF and the DWSRF pursuant to the Master Resolution will provide common security for the payment of debt service on such SRF Bonds. See "THE SERIES 2018 BONDS – Security." In adopting the Master Resolution, the Board implemented provisions of the prior CWSRF Master Resolution (as defined herein) to provide for such cross-collateralization to secure payment of debt service on the SRF Bonds. See "– CWSRF Master Resolution Closure" below. Cross-collateralization is permitted by the SRF Act and federal law. Money and other assets of the DWSRF will be available to pay debt service on SRF Bonds issued to augment the CWSRF, to the extent money and other assets of the CWSRF are not sufficient to pay debt service on SRF Bonds issued to augment the CWSRF. Money and other assets of the CWSRF will be available to pay debt service on SRF Bonds issued to augment the DWSRF, to the extent money and other assets of the DWSRF are not sufficient to pay debt service on SRF Bonds issued to augment the DWSRF.

The State Revolving Funds are the principal means by which the Board carries out the directives of the SRF Act, the Federal Clean Water Act and the Federal Drinking Water Act. The Board uses the State Revolving Funds to provide financial assistance to Political Subdivisions through the Board's acquisition of Political Subdivision Bonds. The Board's acquisition of Political Subdivision Bonds is funded with proceeds of SRF Bonds and State General Obligation Match Bonds issued by the Board, federal capitalization grants under the Federal Clean Water Act and the Federal Drinking Water Act, recycled cash balances and investment earnings on fund balances. Political Subdivisions use the proceeds of Political Subdivision Bonds for the purpose of planning, design, acquisition and construction of wastewater treatment works, including stormwater and nonpoint source pollution control projects (in the context of the CWSRF program) and planning, design, acquisition and construction of water system works, including the purchase of capacity and other systems (in the context of the DWSRF program), and other authorized purposes pursuant to the SRF Act, the Federal Clean Water Act and the Federal Drinking Water Act. See "STATE REVOLVING FUNDS."

The CWSRF is in its 31st year of operation. The DWSRF is in its 21st year of operation. For the period from inception of the State Revolving Funds through the quarter ended February 28, 2018, the Board has utilized the State Revolving Funds to provide financial assistance to Political Subdivisions within the CWSRF Master Resolution and the DWSRF Portfolio Account as follows:

	<u>CWSRF</u>	<u>DWSRF</u>	<u>Total</u>
Total Funding Commitments Since Inception	\$ 8,428,011,265	\$ 2,514,144,161	\$ 10,942,155,426
Currently Outstanding Political Subdivision Bonds	\$ 2,637,388,930	\$ 1,018,769,241	\$ 3,656,158,171
Number of Political Subdivisions with			
Political Subdivision Bonds Outstanding	178	173	351*

See "Appendix B – INFORMATION REGARDING THE CLEAN WATER STATE REVOLVING FUND AND THE DRINKING WATER STATE REVOLVING FUND" for a more detailed discussion of the CWSRF and the DWSRF. The Board can give no assurances that the terms of any committed Political Subdivision Bonds to be purchased in the future will not change or that such Political Subdivision Bonds will ever be purchased. Additionally, the Board can give no assurances that any applications for funding which have not been approved by the Board will, in fact, be approved and funded in the amounts indicated.

* Some entities participate in both SRF programs. When aggregated, the total number of unique entities with outstanding bonds is 279.

CWSRF Master Resolution Closure

The Security for the SRF Bonds (see “THE SERIES 2018 BONDS – Security”) includes revenues transferred from the CWSRF after the payment of bonds outstanding under the terms of the CWSRF Master Resolution adopted by the Board on June 20, 2013 (the “CWSRF Master Resolution”). Subject to the terms of the existing CWSRF Master Resolution, bonds and other obligations issued on a parity with the Series 2018 Bonds (the “SRF Bonds”) pursuant to the terms of the Master Resolution approved by the Board on March 1, 2018 shall be equally and ratably secured by and payable from the Security for the SRF Bonds. See “PLAN OF FINANCE” and “THE SERIES 2018 BONDS – Security.”

The Master Resolution provides that (i) the Board will continue to make transfers of revenues as provided in the CWSRF Master Resolution to support the payment of outstanding bonds issued under the terms of the CWSRF Master Resolution and (ii) upon the adoption of the Master Resolution, the Board will not issue or incur any additional obligations under the CWSRF Master Resolution. This will result in no additional obligations secured by the revenues of the CWSRF shall be permitted to be issued or incurred by the Board under the CWSRF Master Resolution. See “Appendix A –RELATED DEFINITIONS.”

The only obligations of the Board outstanding under the terms of the CWSRF Master Resolution that are secured by a pledge of revenues superior to the lien on and pledge of revenues securing the Series 2018 Bonds are the Texas Water Development Board State Revolving Fund Subordinate Lien Revenue Bonds, Sub-Series 2009A-1 (the “Series 2009 Bonds”). As of the date hereof, the Series 2009 Bonds are currently outstanding in the aggregate principal amount of \$164,010,000. There are no Credit Agreements outstanding under the terms of the CWSRF Master Resolution. The Series 2009 Bonds are subject to redemption at the option of the Board on and after July 15, 2019, at a redemption price of par plus accrued interest to the date of redemption. No assurances are made that the Board will exercise any rights reserved by the Board to redeem or defease any or all of the Series 2009 Bonds prior to their final maturity of July 15, 2029.

The Series 2018 Bonds

In the First Supplemental Resolution, the Board authorized the issuance of the Series 2018 Bonds, in one or more series, in an aggregate principal amount not to exceed \$392,000,000. The Series 2018 Bonds are the first issuance of obligations under the terms of the Master Resolution. The Board has reserved the right in the Master Resolution to issue additional series of the Series 2018 Bonds, or other bonds, notes or other obligations or evidences of indebtedness on a parity with the Series 2018 Bonds and to execute Credit Enhancement Agreements on a parity with any Credit Enhancement Agreements relating to the Series 2018 Bonds. The Board currently has no intention to enter into a Credit Enhancement Agreement in connection with the issuance of the Series 2018 Bonds.

Texas Water Development Board

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.

Through its financial assistance programs, including the CWSRF and the DWSRF, the Board provides financial assistance for eligible water-related facilities, including all components of water supply, wastewater (sewage) conveyance and treatment, flood control, municipal solid waste management and agricultural water conservation projects.

The Board is composed of three full-time members who are appointed by the Governor and confirmed by the Texas Senate. Members of the Board serve staggered six-year terms. In accordance with State law, the Board must appoint the Executive Administrator of the Board.

See “TEXAS WATER DEVELOPMENT BOARD” for a more detailed discussion of the Board and its history, organizational structure, board members and key staff members, financial assistance programs, and legislative oversight.

PLAN OF FINANCE

Purpose

The Series 2018 Bonds are being issued (i) to provide funds to the CWSRF and the DWSRF to finance the acquisition of Political Subdivision Bonds, including State Match requirements and (ii) to pay the costs of issuance of the Series 2018 Bonds. See “- Sources and Uses” below.

Sources and Uses

The proceeds from the sale of the Series 2018 Bonds are to be applied as set forth in the following table:

Sources of Funds

Par Amount	\$ 288,395,000.00
Reoffering Issue Premium	43,211,959.25
Total Sources	\$ 331,606,959.25

Uses of Funds

Deposit for acquisition of Political Subdivision Bonds to CWSRF Bond Proceeds Subaccount	\$ 260,000,000.00
Deposit for acquisition of Political Subdivision Bonds to DWSRF Bond Proceeds Subaccount	70,000,000.00
Underwriters' Discount	971,716.50
Costs of Issuance	635,242.75 *
Total Uses	\$ 331,606,959.25

* Includes rounding amount.

\$20,000,000 of the Series 2018 Bonds will provide State matching funds for the CWSRF, and \$21,000,000 of the Series 2018 Bonds will provide State matching funds for the DWSRF.

THE SERIES 2018 BONDS

General

The Series 2018 Bonds are special obligations of the Board and are issued pursuant to the Resolution and the laws of the State of Texas, including Subchapter J of Chapter 15 of the Texas Water Code, as amended (the “SRF Act”), Subchapter I of Chapter 17 of the Texas Water Code, as amended, and Chapter 1371, Texas Government Code, as amended.

The Series 2018 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiples thereof. Interest on the Series 2018 Bonds will accrue from the Date of Delivery to the Underwriters at the respective rates shown on the inside cover page of this Official Statement, calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Series 2018 Bonds will be payable semiannually on February 1, 2019 and on each August 1 and February 1 thereafter (each an “Interest Payment Date”), until maturity or prior redemption. The Series 2018 Bonds will mature in the principal amounts and on the dates shown on the inside cover page of this Official Statement. The Series 2018 Bonds, when issued, will be registered in the name of Cede & Co., as nominee for DTC.

Payment

As long as the Series 2018 Bonds are held in the book-entry-only system, payment on the Series 2018 Bonds will be made directly to DTC or its nominee, Cede & Co., by The Bank of New York Mellon Trust Company, N.A. (the “Agent”) in accordance with arrangements among the Board, the Agent and DTC. See “Appendix H – DESCRIPTION OF BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES.”

The principal and redemption price of the Series 2018 Bonds shall be payable, without exchange or collection charges, in lawful money of the United States of America, to the respective registered owners thereof upon presentation and surrender thereof at maturity or upon the date fixed for redemption prior to maturity at the office for payment of the Agent (the “Designated Payment/Transfer Office”). If the Series 2018 Bonds are not held in book-entry form, as described in “Appendix H - DESCRIPTION OF BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES,” interest on the Series 2018 Bonds shall be payable by the Agent on each Interest Payment Date, in lawful money of the United States of America, by check or draft dated as of such Interest Payment Date, sent by United States mail, first-class postage prepaid, to the respective owners thereof, at the address of each such registered owner as it appears in the Register on the Record Date (hereinafter defined) preceding each such Interest Payment Date. Any accrued interest due upon the redemption of any Series 2018 Bond prior to maturity as provided in the First Supplemental Resolution shall be payable to the registered owner thereof at the Designated Payment/Transfer Office, upon presentation and surrender thereof for redemption and payment at the Designated Payment/Transfer Office.

Security

The security for the Series 2018 Bonds consists of (i) all Pledged SRF Revenues; (ii) all Political Subdivision Bonds and Government Obligations held in the CWSRF Portfolio Account (except as described “APPENDIX F – Summary of the Master Resolution and First Supplemental Resolution – Release of Political Subdivision Bonds”), all amounts in the CWSRF Revenue Account and the CWSRF Program Account pending disbursement thereof; (iii) all Political Subdivision Bonds and Government Obligations held in the DWSRF Portfolio Account (except as described “APPENDIX F – Summary of the Master Resolution and First Supplemental Resolution – Release of Political Subdivision Bonds”), all amounts in the DWSRF Revenue Account and the DWSRF Program Account pending disbursement thereof; (iv) all amounts held in the Portfolio Redemption Account; and (v) all of the proceeds of the foregoing, including, without limitation, investments thereof (collectively the “Security for the SRF Bonds”). The Security for the SRF Bonds includes revenues transferred from the CWSRF after the payment of bonds outstanding under the terms of the CWSRF Master Resolution. By adopting the Master Resolution, the Board exercised authority reserved by the Board in the CWSRF Master Resolution to provide for the cross-collateralization of money and other assets of the CWSRF and the DWSRF to secure payment of debt service of the SRF Bonds, to the extent money and other assets of the CWSRF are not sufficient to pay debt service on SRF Bonds issued to augment the CWSRF, or to the extent money and other assets of the Safe Drinking Water State Revolving Fund (the “DWSRF”) are not sufficient to pay debt service on SRF Bonds issued to augment the DWSRF, as the case may be. See “INTRODUCTION – Cross-Collateralization of State Revolving Funds” and “INTRODUCTION – CWSRF Master Resolution Closure.” The foregoing notwithstanding, the principal of and interest on SRF Bonds issued to provide state matching funds will be payable ONLY from Repayments which consist of interest (and not principal) and amounts received by the Board as income, profits or gain on investments.

Matters Relating to Redemption and Prepayment

Disposition of Sale Proceeds and Prepayments. The use and disposition of Sale Proceeds (consisting of proceeds from the sale of Political Subdivision Bonds and Government Obligations held in the CWSRF Portfolio Account and the DWSRF Portfolio Account) and Prepayments (consisting of prepayment of principal of Political Subdivision Bonds and Government Obligations held in the CWSRF Portfolio Account and the DWSRF Portfolio Account received prior to the stated maturity or scheduled mandatory redemption date of such Political Subdivision Bonds and Government Obligations) are governed by the Master Resolution and supplemental resolutions authorizing SRF Bonds (including the Series 2018 Bonds). See “– Redemption – Optional Redemption Using Sale Proceeds and Prepayments and Mandatory Redemption Using Prepayments” below. Generally, Sale Proceeds and Prepayments

must be (i) reinvested through the purchase of Political Subdivision Bonds or Government Obligations or (ii) used to redeem SRF Bonds (including the First Supplemental Resolution adopted in connection with the sale of the Series 2018 Bonds), subject to and in accordance with the Master Resolution and supplemental resolutions authorizing SRF Bonds.

Prior to the use of Sale Proceeds or Prepayments to redeem unrelated SRF Bonds, the Board must obtain an opinion of Bond Counsel as described below under “– Redemption – Optional Redemption Using Sale Proceeds and Prepayments and Mandatory Redemption Using Prepayments.” The Master Resolution also provides that the Board may not take any action to generate Sale Proceeds unless such Sale Proceeds are applied to the optional redemption of SRF Bonds or reinvested in Political Subdivision Bonds or Government Obligations. In addition, the ability of a Political Subdivision to prepay its Political Subdivision Bonds prior to the stated maturity or scheduled mandatory redemption date therefor (resulting in a Prepayment) is limited by the optional call features associated with such Political Subdivision Bonds.

Board Policy Regarding Prepayment Proceeds. Historically, as a matter of Board policy, the Board has held Political Subdivision Bonds until their stated maturity or prior redemption by the issuing Political Subdivision (which has prevented the generation of Sale Proceeds) and the Board has used prepayments for reinvestment in Political Subdivision Bonds or to redeem related CWSRF obligations through the exercise of optional redemption rights. Since the inception of the revenue bond financing program for the CWSRF, no bonds issued by the Board have been redeemed as a result of mandatory redemption caused by the receipt of Prepayments.

Redemption

Optional Redemption. The Series 2018 Bonds maturing on and after August 1, 2028 will be subject to redemption prior to their stated maturities, at the option of the Board from available funds, in whole or in part on August 1, 2027 or any day thereafter at a redemption price of par plus accrued interest to the date fixed for redemption. The maturity dates of the Series 2018 Bonds called for optional redemption prior to maturity shall be determined by the Board. See “- Partial Redemption” for an explanation of the selection of Series 2018 Bonds in the event of partial redemption.

Subject to certain conditions, available funds may include Sale Proceeds or Prepayments derived from Political Subdivision Bonds and Government Obligations related to any series of Bonds or General Obligation Match Bonds as well as Sale Proceeds or Prepayments derived from Political Subdivision Bonds and Government Obligations related to the Series 2018 Bonds. See “Appendix A –RELATED DEFINITIONS – Sale Proceeds.”

Optional Redemption Using Sale Proceeds and Prepayments and Mandatory Redemption Using Prepayments. The Master Resolution provides for the use and disposition of Sale Proceeds and Prepayments in the following manner, to the extent such amounts are not reinvested in Political Subdivision Bonds or Government Obligations:

- Sale Proceeds or Prepayments may be applied to the redemption of SRF Bonds (including the Series 2018 Bonds) on or after the earliest practical redemption date to the extent that such SRF Bonds are subject to optional redemption without premium within one hundred and eighty (180) days of receipt by the Board of such Sale Proceeds or Prepayments.
- The Series 2018 Bonds may be subject to mandatory redemption prior to maturity to the extent there are moneys in the Portfolio Redemption Account as a result of Prepayments not having been applied either (i) to the optional redemption of SRF Bonds (including the Series 2018 Bonds) in accordance with the preceding paragraph or (ii) within one hundred and eighty (180) days of receipt thereof to purchase Political Subdivision Bonds or Government Obligations. The Board may not generate or create Sale Proceeds unless such Sale Proceeds are reinvested or applied to the optional redemption of SRF Bonds (including the Series 2018 Bonds). Therefore, Sale Proceeds shall not be used to mandatorily redeem SRF Bonds, including the Series 2018 Bonds. Such mandatory redemption of Series 2018 Bonds may be in whole or in part on any Business Day and at a redemption price equal to the principal amount of the Series 2018 Bonds to be redeemed plus accrued interest thereon to the redemption date.

Prior to the redemption of any SRF Bond using Prepayments derived from (i) Political Subdivision Bonds or Government Obligations related to a series or installment of SRF Bonds issued as tax-exempt obligations, other than the series or installment of SRF Bonds then being redeemed or (ii) Political Subdivision Bonds or Government Obligations related to General Obligation Match Bonds issued as tax-exempt obligations (collectively, "Unrelated SRF Prepayments"), the Board must obtain an opinion of Bond Counsel to the effect that such Unrelated SRF Prepayments may be used to redeem such SRF Bonds without adversely affecting the excludability from gross income of interest payable on the outstanding SRF Bonds and General Obligation Match Bonds to the extent such obligations were issued on a tax-exempt basis. See "– Matters Relating to Redemption and Prepayment" above for information concerning certain redemption considerations that are expected to reduce the likelihood that the Series 2018 Bonds will be subject to mandatory redemption from Prepayments.

Extraordinary Mandatory Redemption of Series 2018 Bonds. 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 2018 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 originate Political Subdivision Bonds 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 Political Subdivision Bonds (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 originate Political Subdivision Bonds (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 2018 Bonds, a portion of the Series 2018 Bond proceeds will be held by the Board and applied from time to time after the issuance of the Series 2018 Bonds to originate Political Subdivision Bonds for CWSRF or DWSRF financial assistance projects, or to reimburse the Board for Political Subdivision Bonds heretofore acquired to fund CWSRF financial assistance projects. See "SOURCES AND USES OF FUNDS." The Board reasonably expects to expend more than 30 percent and 95 percent of such proceeds, during the one-year and three-year periods, respectively. To comply with the foregoing requirement in the event these expectations are not achieved by the Board, the Series 2018 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 2018 Bonds are held by the Board to originate Political Subdivision Bonds and are not expended within such one-year or three-year periods, any such unexpended proceeds will be used to redeem the Series 2018 Bonds as further described below. In accordance with section 149(f)(7) of the Code, only the portion of the proceeds of the Series 2018 Bonds that is reasonably expected, as of the issue date of the Series 2018 Bonds, to be used to originate Political Subdivision Bonds to Political Subdivisions is subject to the redemption requirements set forth in section 149(f) of the Code.

The Series 2018 Bonds maturing on and after August 1, 2019, are subject to extraordinary mandatory redemption prior to their scheduled maturities on June 10, 2019 (the "One-Year Extraordinary Mandatory Redemption"), in an amount equal to the Computation Amount (as hereinafter defined) applicable to the One-Year Computation Period for the Series 2018 Bonds, plus accrued interest to the date of such extraordinary redemption at the redemption prices set forth below (approximately 102% of the accreted value or amortized issue price for each maturity of the Series 2018 Bonds), expressed as percentages of the principal amount of each maturity of the Series 2018 Bonds so redeemed. The Series 2018 Bonds maturing on and after August 1, 2021, are subject to extraordinary mandatory redemption prior to their scheduled maturities on, June 10, 2021 (the "Three-Year Extraordinary Mandatory Redemption"), in an amount equal to the Computation Amount applicable to the Three-Year Computation Period for the Series 2018 Bonds, plus accrued interest to the date of such extraordinary redemption at the redemption prices set forth below (approximately 102% of the accreted value or amortized issue price for each maturity of the Series 2018 Bonds), expressed as percentages of the principal amount of each maturity of the Series 2018 Bonds so redeemed.

Extraordinary Mandatory Redemption Price (%)

CUSIP Prefix 882724

<u>Maturity (August 1)</u>	<u>On June 10, 2019</u>	<u>On June 10, 2021</u>	<u>CUSIP</u>
2019	102.326		C26
2020	104.534		C34
2021	108.558	102.439	C42
2022	111.042	105.352	C59
2023	113.501	108.072	C67
2024	115.492	110.426	C75
2025	117.371	112.605	C83
2026	119.088	114.595	C91
2027	120.759	116.493	D25
2028	120.100	115.995	D33
2029	119.609	115.623	D41
2030	119.122	115.253	D58
2031	118.797	115.007	D66
2032	118.474	114.761	D74
2033	118.152	114.516	D82
2034	117.830	114.272	D90
2035	114.908	112.040	E24
2036	114.675	111.861	E32
2037	117.111	113.724	E40
2038	116.952	113.603	E57

The First Supplemental 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 2018 Bonds of a particular series directly or indirectly used to originate Political Subdivision Bonds 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 2018 Bonds directly or indirectly used to originate Political Subdivision Bonds as of the last day of the Three-Year Computation Period (but not less than zero). "Net Proceeds" is defined in the First Supplemental Resolution to mean the amounts received from the sale of the Series 2018 Bonds less proceeds used to pay costs of issuance, including any underwriters' compensation, or proceeds used to pay interest on the Series 2018 Bonds during all or any portion of the One-Year Computation Period of the Three-Year Computation Period, as the case may be.

Following the earlier of (i) the 90th day after the Three-Year Computation Period for the Series 2018 Bonds and (ii) the date on which 95 percent of the proceeds of the Series 2018 Bonds have been used to originate Political Subdivision Bonds, if such date occurs prior to the end of the Three-Year Computation Period for the Series 2018 Bonds, the Series 2018 Bonds shall no longer be subject to extraordinary redemption.

The foregoing notwithstanding, the Series 2018 Bonds (of a particular series) are not subject to such extraordinary mandatory redemption if the Board obtains an opinion of nationally-recognized bond counsel to the effect that, if the Board does not cause the extraordinary mandatory redemption to occur, it will not adversely affect the excludability of interest on such Series 2018 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 2018 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 2018 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 2018 Bonds of such maturity then outstanding bears to the aggregate principal amount of Series 2018 Bonds of such series then outstanding and subject to redemption.

Notice of Redemption. The Agent will mail a notice of redemption by United States mail, first-class postage prepaid, to the registered owners of all Series 2018 Bonds to be redeemed, at the address shown on the Register. Notice shall be given not less than 30 calendar days nor more than 60 calendar days prior to the redemption date. Each notice of redemption of the Series 2018 Bonds will identify the Series 2018 Bonds or portions thereof to be redeemed and will state, among other things, the redemption price, the redemption date, the place or places where the redemption price is payable and that on the redemption date such Series 2018 Bonds (or portions thereof) called for redemption will cease to bear interest (provided funds for the redemption of such Series 2018 Bonds are on deposit at the place of payment). Any notice of redemption may provide that such notice is given subject to the occurrence of certain conditions precedent, including the deposit with the Agent of money sufficient for the payment of the redemption price of the Series 2018 Bonds called for redemption. The failure of a Holder to receive notice by mailing or any defect in that notice regarding any Series 2018 Bond will not affect the validity of the proceedings for the redemption of the Series 2018 Bonds.

The Agent shall also send notice of any redemption by United States mail, first-class postage prepaid, to DTC at the same time that it sends notice of redemption to Holders. So long as all Series 2018 Bonds are held under a book entry system by DTC, notice of redemption shall be sent by the Agent only to DTC or its nominee. Selection of book entry interests in the Series 2018 Bonds called for redemption, and notice of redemption to the owners of Series 2018 Bonds called for redemption, is the responsibility of DTC (or any successor securities depository) pursuant to its rules and procedures, and of its participants and indirect participants. Any failure of DTC (or any successor securities depository) to advise any participant, or of any participant or any indirect participant to notify the owner of a book-entry interest, of any such notice and its content or effect shall not affect the validity of any proceedings for the redemption of any Series 2018 Bonds.

Partial Redemption

If less than all of the Series 2018 Bonds within a maturity are called for redemption, the Series 2018 Bonds selected for redemption within such maturity shall be chosen by lot by the Agent (provided that a portion thereof may be redeemed only in an integral multiple of \$5,000 principal amount). During any period in which ownership of the Series 2018 Bonds is determined only by a book-entry at a securities depository for the Series 2018 Bonds, if less than all of the Series 2018 Bonds within a maturity are called for redemption, the particular Series 2018 Bonds selected for redemption within such maturity shall be selected in accordance with the arrangements between the Board, the Agent and DTC. See “Appendix H – DESCRIPTION OF BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES.”

Registration, Transfer and Exchange

The Bank of New York Mellon Trust Company, N.A. has been appointed to serve as initial Agent for the Series 2018 Bonds. In the First Supplemental Resolution, the Board retains the right to replace the Agent. If the Board replaces the Agent, such Agent shall, promptly upon the appointment of a successor, deliver the Agent’s records to the successor Agent, and the successor Agent shall act in the same capacity as the previous Agent. Any successor Agent selected by the Board shall be a commercial bank or a trust company duly organized under the laws of the United States of America or any state or territory thereof, having a combined capital stock, surplus and undivided profits of at least \$50,000,000, having trust powers and authorized by law to perform all the duties imposed upon it by the First Supplemental Resolution.

In the event the Book-Entry-Only System is discontinued, printed certificates will be delivered to the owners of the Series 2018 Bonds and thereafter the Series 2018 Bonds may be transferred, registered and assigned on the registration books only upon presentation and surrender of such printed certificates to the Agent, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Series 2018 Bond may be assigned by the execution of an assignment form on the Series 2018 Bonds or by other instrument of transfer and assignment acceptable to the Agent. A new Series 2018 Bond, or new Series 2018 Bonds, will be delivered by the Agent in lieu of the Series 2018 Bond being transferred or exchanged at the designated office of the Agent. New

Series 2018 Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like kind and aggregate principal amount as the Series 2018 Bond or Series 2018 Bonds surrendered for exchange or transfer. See “Appendix H – DESCRIPTION OF BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES” herein for a description of the system to be utilized initially in regard to the ownership and transferability of the Series 2018 Bonds.

The record date (“Record Date”) for the interest payable on any interest payment date for the Series 2018 Bonds means the close of business on the fifteenth day of the month next preceding such interest payment date.

Neither the Board nor the Agent shall be required to issue, transfer, or exchange any Series 2018 Bond, or any portion thereof called for redemption prior to maturity prior to its redemption date, provided, however, such limitation on transferability shall not be applicable to an exchange by the owner of the uncalled balance of a Series 2018 Bond.

If any Series 2018 Bond is mutilated, destroyed, stolen or lost, a new Series 2018 Bond in the same principal amount or Maturity Amount as the Series 2018 Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Series 2018 Bond, such new Series 2018 Bond will be delivered only upon surrender and cancellation of such mutilated Series 2018 Bond. In the case of any Series 2018 Bond issued in lieu of and in substitution for a Series 2018 Bond which has been destroyed, stolen or lost, such new Series 2018 Bond will be delivered only (a) upon filing with the Board and the Agent of satisfactory evidence to the effect that such Series 2018 Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the Board and the Agent with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Series 2018 Bond must pay such expenses as the Agent may incur in connection therewith.

Defeasance

The Board has agreed not to use any Defeasance Obligations in connection with the future defeasance of Series 2018 Bonds other than those authorized by current State law. Those Defeasance Obligations eligible under current State law to defease obligations such as the Series 2018 Bonds are (1) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States, (2) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the Board, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (3) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the Board, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. See “Appendix A- RELATED DEFINITIONS- MASTER RESOLUTION”.

STATE REVOLVING FUNDS

The Board provides financial assistance to Political Subdivisions by purchasing Political Subdivision Bonds issued for the purpose of planning, design, acquisition, and construction of wastewater treatment works, including stormwater and nonpoint source pollution control projects (in the context of the CWSRF program) and planning, design, acquisition, and construction of water system works, including the purchase of capacity and other systems (in the context of the DWSRF program), and other authorized purposes pursuant to the SRF Act, the Federal Clean Water Act and the Federal Drinking Water Act. The State has provided funding to establish the CWSRF and the DWSRF through the appropriation of state general revenues, the issuance of several series of the State’s general obligation bonds, the issuance of bonds pursuant to the CWSRF Master Resolution, and the forthcoming issuance of the Series 2018 Bonds which are secured by a lien on and pledge of the Security for the SRF Bonds. The State Revolving Funds are the principal means by which the Board carries out the directives of the Federal Clean Water Act and the Federal Drinking Water Act.

Pursuant to the Trust Agreement, the CWSRF and the DWSRF, including all respective accounts and subaccounts thereof and all money and investments therein, are kept and held by the Comptroller outside the State Treasury, separate and apart from all other funds and accounts of the Comptroller, in escrow and in trust for and on behalf of the Board. The Comptroller, as custodian of the CWSRF and the DWSRF, is authorized to administer the CWSRF and the DWSRF solely and strictly as provided by the SRF Act, the Master Resolution, the Trust Agreement

and the resolution or other instruments adopted by the Board pursuant to which SRF Bonds or Subordinate Obligations are issued or pursuant to which a Credit Enhancement Agreement or a Subordinated Credit Agreement is provided. Legal title to money and investments in the CWSRF and the DWSRF is held by the Board unless or until paid from the CWSRF and the DWSRF. The Trust Agreement shall continue in effect month to month unless terminated by either the Board or the Texas Treasury Safekeeping Trust Company, acting on behalf of the Comptroller, upon thirty (30) days prior written notice with or without cause in the manner set forth in the Trust Agreement.

Cash held as a part of the accounts and subaccounts within the SRFs will be invested and reinvested in Permitted Investments, as instructed by an Authorized Representative, in such a manner to ensure that money required to be expended from any account or subaccount of the SRFs, as the case may be, will be available at the proper time.

See “Appendix F - SUMMARY OF MASTER RESOLUTION AND FIRST SUPPLEMENTAL RESOLUTION” for a more complete description of matters affecting the investment of funds by the Board.

The following table describes the sources of revenues available to pay debt service, annual cash flow coverages, and a current and debt service schedule that pertains to the Series 2009 Bonds, the Series 2018 Bonds and the existing General Obligation State Match Bonds. This table has been prepared by the Board as a forecast of the future operation of the State Revolving Fund and no assurances can be given that actual revenues will meet projections. In addition, no assurances can be given that future revenues for any fiscal year will continue to be received by the Board in amounts comparable to prior periods as set forth in the certificate regarding Designated Pledged SRF Revenues which is a condition to the issuance of the Series 2018 Bonds or additional SRF Bonds. See “Appendix F – SUMMARY OF MASTER RESOLUTION AND FIRST SUPPLEMENTAL RESOLUTION.” Future revenues may differ from historical revenues for a number of reasons including, but not limited to: (a) defaults by Political Subdivisions; (b) inability to reinvest the proceeds of maturing investments at a rate to provide sufficient revenues; (c) Prepayments by Political Subdivisions; and (d) an increase in the interest rate on any variable rate obligations issued by the Board. See “Appendix B - INFORMATION REGARDING THE CLEAN WATER STATE REVOLVING FUND AND DRINKING WATER STATE REVOLVING FUND” for a more detailed discussion of the CWSRF and the DWSRF.

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CASH FLOW COVERAGE UNDER THE PRIOR CWSRF MASTER RESOLUTION AND THE NEW MASTER RESOLUTION (TABLE 1)

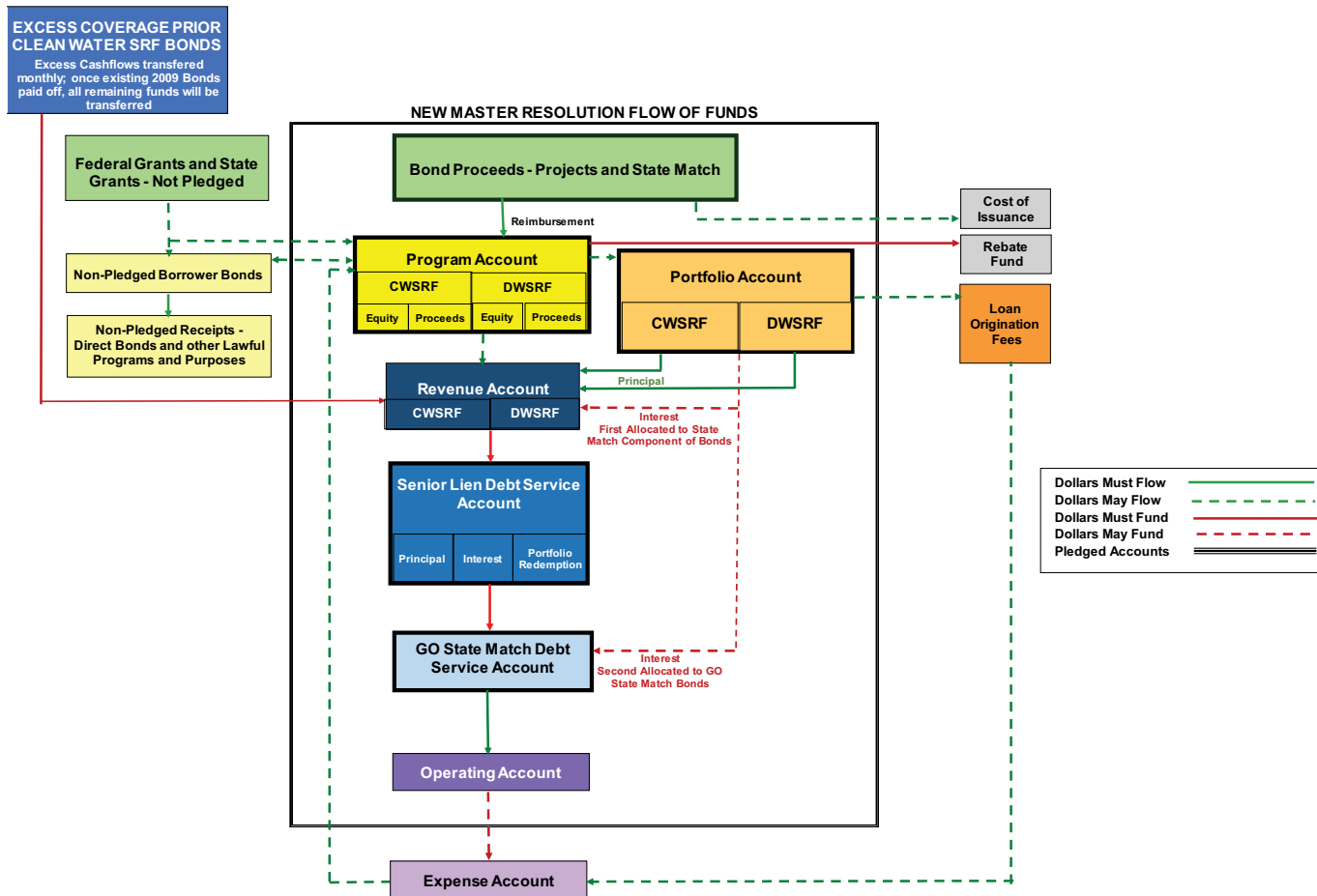
CASHFLOW COVERAGE UNDER THE PRIOR CWSRF MASTER RESOLUTION AND THE NEW MASTER RESOLUTION (TABLE 1)														
Existing CWSRF Master Resolution (Clean Water SRF Program)						New Master Resolution (Combined SRF Program)					Existing GO State Match Bonds			
Fiscal Year ⁽¹⁾	CWSRF Political Subdivision Bond Receipts and Debt		Total existing resolution Debt		Available Revenues After CWSRF Master Resolution Debt Service ⁽⁵⁾	DWSRF Political Subdivision Bond Receipts and Debt		New Political Subdivision Bond Receipts (\$330M Proceeds) ⁽⁷⁾	Total PSB Receipts Available for new Master Resolution Debt Service (\$330M Proceeds)		SRF Bonds Debt Service Coverage ⁽⁹⁾	Total Master Resolution & GO State Match Bonds Debt Service Coverage ⁽¹¹⁾		Annual Excess Revenue ⁽¹²⁾
	Service Fund Balance ⁽²⁾	Service Requirements ⁽³⁾	Debt Service Coverage ⁽⁴⁾	Service ⁽⁵⁾		Service Fund Balance ⁽⁶⁾	Master Resolution SRF Debt ⁽⁸⁾		Service Coverage ⁽⁹⁾	GO State Match Bonds Debt Service Coverage ⁽¹⁰⁾		Debt Service Coverage ⁽¹¹⁾		
2018	\$ 97,593,050	\$ 18,443,488	5.29	\$ 79,149,562	\$ 63,339,331	\$ -	\$ 142,488,893	\$ -	\$ -	\$ 35,986,694	3.96	\$ 106,502,199		
2019	163,599,722	18,443,488	8.87	145,156,234	67,296,033	-	212,452,267	24,868,774	8.54	32,874,426	3.68	154,709,068		
2020	164,410,870	18,441,688	8.92	145,969,183	66,293,915	23,231,100	235,494,198	24,876,100	9.47	31,472,986	4.18	179,145,112		
2021	164,377,303	18,441,088	8.91	145,936,216	65,981,753	21,168,535	233,086,504	24,874,900	9.37	30,845,566	4.18	177,366,038		
2022	168,784,240	18,440,588	9.15	150,343,653	65,360,899	21,168,598	236,873,149	24,868,400	9.53	29,965,333	4.32	182,039,416		
2023	173,099,794	18,440,338	9.39	154,659,457	64,320,882	21,168,583	240,148,921	24,862,900	9.66	24,441,111	4.87	190,844,910		
2024	171,782,065	18,443,838	9.31	153,338,228	63,699,007	21,168,585	238,205,820	24,861,900	9.58	23,348,650	4.94	189,995,270		
2025	170,830,120	18,443,388	9.26	152,386,733	63,000,969	21,168,593	236,556,294	24,868,650	9.51	20,517,380	5.21	191,170,263		
2026	168,809,601	18,440,688	9.15	150,368,914	62,538,173	21,168,588	234,075,675	24,871,150	9.41	19,365,539	5.29	189,838,986		
2027	167,752,974	18,441,688	9.10	149,311,287	62,453,635	21,168,548	232,933,469	24,867,900	9.37	15,896,399	5.71	192,169,170		
2028	165,674,346	18,439,688	8.98	147,234,659	57,916,221	21,168,545	226,319,425	24,872,400	9.10	12,072,345	6.13	189,374,680		
2029	181,954,052	18,442,938	9.87	163,511,115	51,275,421	21,168,545	235,955,081	20,167,400	11.70	12,072,369	7.32	203,715,312		
2030	171,182,686	-	-	171,182,686	48,916,519	21,168,508	241,267,712	20,166,400	11.96	11,076,613	7.72	210,024,699		
2031	166,494,857	-	-	166,494,857	44,450,965	21,168,588	232,114,409	20,168,900	11.51	7,215,580	8.48	204,729,929		
2032	161,512,732	-	-	161,512,732	42,440,426	21,168,530	225,121,689	20,173,150	11.16	3,941,383	9.34	201,007,156		
2033	153,797,848	-	-	153,797,848	42,616,540	21,168,580	217,582,969	20,167,400	10.79	2,370,064	9.65	195,045,504		
2034	102,671,546	-	-	102,671,546	38,405,785	21,168,570	162,245,901	20,165,400	8.05	1,557,696	7.47	140,522,805		
2035	95,137,386	-	-	95,137,386	34,923,906	21,168,530	151,229,822	20,170,150	7.50	-	7.50	131,059,672		
2036	85,008,825	-	-	85,008,825	28,618,981	21,168,583	134,796,389	20,173,550	6.68	-	6.68	114,622,839		
2037	82,646,926	-	-	82,646,926	23,692,810	21,168,540	127,508,276	20,164,750	6.32	-	6.32	107,343,526		
2038	76,782,708	-	-	76,782,708	21,744,850	21,168,513	119,696,071	20,165,250	5.94	-	5.94	99,530,821		
2039	63,756,469	-	-	63,756,469	18,038,131	21,168,300	102,962,900	-	-	-	-	102,962,900		
2040	55,739,570	-	-	55,739,570	16,980,257	-	72,719,827	-	-	-	-	72,719,827		
2041	49,257,022	-	-	49,257,022	14,757,660	-	64,014,682	-	-	-	-	64,014,682		
2042	42,415,619	-	-	42,415,619	14,679,600	-	57,095,218	-	-	-	-	57,095,218		
2043	36,589,720	-	-	36,589,720	14,147,436	-	50,737,156	-	-	-	-	50,737,156		
2044	25,378,722	-	-	25,378,722	12,215,248	-	37,593,971	-	-	-	-	37,593,971		
2045	19,866,352	-	-	19,866,352	11,516,415	-	31,382,768	-	-	-	-	31,382,768		
2046	13,256,232	-	-	13,256,232	7,617,008	-	20,873,239	-	-	-	-	20,873,239		
2047	6,658,370	-	-	6,658,370	3,284,211	-	9,942,581	-	-	-	-	9,942,581		
2048	1,515,122	-	-	1,515,122	1,429,531	-	2,944,654	-	-	-	-	2,944,654		
2049	217,182	-	-	217,182	-	-	217,182	-	-	-	-	217,182		
	<u>\$ 3,368,554,036</u>	<u>\$ 221,302,900</u>		<u>\$ 3,147,251,136</u>	<u>\$ 1,193,952,518</u>	<u>\$ 425,433,458</u>	<u>\$ 4,766,637,112</u>	<u>\$ 450,375,424</u>		<u>\$ 315,020,135</u>		<u>\$ 4,001,241,553</u>		

(1) The Board’s fiscal year begins September 1 and ends on August 31.
(2) Represents existing CWSRF Master Resolution funds and existing CWSRF Master Resolution PSB receipts received from June 1 through May 31 to be first used for debt service on the Series 2009 Bonds.
(3) Represents existing CWSRF Master Resolution debt service requirements as of November 30, 2017.
(4) Existing CWSRF Master Resolution total revenue to debt ratio. Total revenue includes beginning fund balances and actual PSB receipts received from June 1 through May 31.
(5) Excess revenues available for transfer to the Master Resolution for payment of debt service on the New Series 2018 Bonds and any other parity SRF Bonds hereafter issued.
(6) Represents Master Resolution funds restricted for debt service and Master Resolution PSB receipts received from July 1st through June 30th to be used for debt service.
(7) PSB receipts to be received from PSBs funded from proceeds of the New Series 2018 Bonds. Assumes 2.5% interest rate on \$330 million of PSBs.
(8) Debt service for \$330 million of proceeds of the New Series 2018 Bonds.
(9) Master Resolution total revenue to debt ratio. Master Resolution total revenue includes beginning fund balances, actual Master Resolution PSB receipts received from July 1 through June 30, and transfers of excess revenue to the Master Resolution from the existing CWSRF Master Resolution. See “INTRODUCTION – CWSRF Master Resolution Closure” and “THE SERIES 2018 BONDS – Security”.
(10) Represents debt service on State general obligation bonds (“GO State Match Bonds”) issued by the Board, all or any portion of the proceeds of which are transferred to the CWSRF or the DWSRF in order to provide the required State Match of federal capitalization grants for the CWSRF or the DWSRF, respectively. See “APPENDIX B – State Revolving Funds – Federal Overview”.
(11) Master Resolution total revenue to Master Resolution debt service and GO State Match Bonds debt service coverage ratio.
(12) Represents excess revenue collected during the year after paying existing CWSRF Master Resolution debt service, Master Resolution debt service, and GO State Match Bonds debt service.

NEW MASTER RESOLUTION FLOW OF FUNDS

The following diagram provides a graphic depiction of the flow of funds framework created by the new Master Resolution. The diagram is provided to illustrate the flow of funds prescribed by the Master Resolution. A complete summary of the flow of funds is included in “APPENDIX F – Summary of the Master Resolution and First Supplemental Resolution,” and the following diagram is qualified in its entirety by reference to Appendix F of this Official Statement.

By adopting the new Master Resolution, the Board intends to create a single, combined (cross-collateralized) financing program to provide funds for the CWSRF and the DWSRF in an efficient manner through the issuance of SRF Bonds. The cross-collateralization of money and other assets of the CWSRF and the DWSRF pursuant to the Master Resolution will provide common security for the payment of debt service on such SRF Bonds. See “INTRODUCTION – Cross-Collateralization of State Revolving Funds.” The security for the SRF Bonds includes any revenues transferred from the CWSRF after the payment of the Series 2009 Bonds currently outstanding under the terms of the CWSRF Master Resolution. See “INTRODUCTION – CWSRF Master Resolution Closure,” and “THE SERIES 2018 BONDS – Security.”



LEGAL MATTERS

Legal Opinions

The Board will furnish a complete transcript of proceedings incident to the authorization and issuance of the Series 2018 Bonds, including the approving legal opinion of the Attorney General of the State. Based upon an examination of such transcript of proceedings, McCall, Parkhurst & Horton L.L.P. (“Bond Counsel”) will render its approving legal opinion with respect to the Series 2018 Bonds. The proposed form of Bond Counsel’s opinion is set forth in Appendix E. Bond Counsel has not, except as hereinafter noted, assumed any responsibility with respect to this Official Statement or undertaken to verify any of the information contained herein, except that in its capacity as Bond Counsel, it has reviewed the information relating to the Series 2018 Bonds and the Resolution contained under the captions “PLAN OF FINANCE” (except for the subcaption “Sources and Uses”), “THE SERIES 2018 BONDS,” “NEW MASTER RESOLUTION FLOW OF FUNDS” and “CONTINUING DISCLOSURE OF INFORMATION” (except for the second paragraph under the subcaption “Continuing Disclosure Undertaking of Significant Borrowers” and the subcaption “Compliance with Prior Undertakings of the Board”), the information contained in “Appendix A – RELATED DEFINITIONS”, and the information contained in “Appendix F - SUMMARY OF MASTER RESOLUTION AND FIRST SUPPLEMENTAL RESOLUTION” (except for the financial and statistical information contained under any such captions) and Bond Counsel is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Resolution; further, Bond Counsel has reviewed the statements and information contained under the captions “LEGAL MATTERS” (except for the last sentence of the first paragraph under the subcaption “Legal Opinions” and the subcaption “No Litigation”), and “TAX MATTERS” in this Official Statement to determine that the information contained under such captions fairly and accurately describe the laws and legal issues addressed therein. The payment of legal fees to Bond Counsel in connection with the issuance of the Series 2018 Bonds is contingent on the sale and delivery of the Series 2018 Bonds. Certain legal matters will be passed upon by Bracewell LLP, Houston, Texas, Disclosure Counsel to the Board. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas, whose legal fee is also contingent on the sale and delivery of the Series 2018 Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Series 2018 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 express 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

There is no litigation or other governmental proceeding pending or, to the knowledge of the Board, threatened which seeks to prohibit, restrain or enjoin the issuance, execution and delivery of the Series 2018 Bonds or questions the validity or enforceability of the Series 2018 Bonds or any of the proceedings taken in connection with the issuance thereof.

The State is a party to various legal proceedings relating to its operations and governmental functions but unrelated to the Series 2018 Bonds or the security therefor.

Eligibility for Investment in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Series 2018 Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other Political Subdivisions or public agencies of the State of Texas. With respect to investment in the Series 2018 Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Series 2018 Bonds be assigned a rating of not less than “A” or its equivalent as to investment quality by a nationally recognized investment rating firm. See “OTHER INFORMATION - Ratings” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Series 2018 Bonds are legal investments for state banks, savings banks, trust companies with a least \$1 million of capital, and savings and loan associations. The Series 2018

Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

No representation is made that the Series 2018 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 Series 2018 Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Series 2018 Bonds for such purposes.

No Registration or Qualification of Series 2018 Bonds for Sale

No registration statement relating to the Series 2018 Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions contained therein. The Series 2018 Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Series 2018 Bonds been registered or qualified under the securities laws of any other jurisdiction. The Board assumes no responsibility for registration or qualification of the Series 2018 Bonds under the securities laws of any jurisdiction in which the Series 2018 Bonds may be offered, sold or otherwise transferred.

TAX MATTERS

Opinion

On the date of initial delivery of the Series 2018 Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the Board, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Series 2018 Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Series 2018 Bonds will not be treated as "specified private activity bonds", the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Series 2018 Bonds. See "Appendix E – Proposed Form of Opinion of Bond Counsel".

In rendering its opinion, Bond Counsel will rely upon (a) the Board's federal tax certificate, and (b) covenants of the Board in the First Supplemental Resolution with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Series 2018 Bonds and certain other matters. Failure of the Board to comply with these representations or covenants could cause the interest on the Series 2018 Bonds to become includable in gross income retroactively to the date of issuance of the Series 2018 Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Series 2018 Bonds in order for interest on the Series 2018 Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Series 2018 Bonds to be included in gross income retroactively to the date of issuance of the Series 2018 Bonds. The opinion of Bond Counsel is conditioned on compliance by the Board with the covenants and the requirements described in the preceding paragraph, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Series 2018 Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Series 2018 Bonds.

A ruling was not sought from the Internal Revenue Service by the Board with respect to the Series 2018 Bonds or the facilities financed or refinanced with the proceeds of the Series 2018 Bonds. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the Board that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal

Revenue Service will commence an audit of the Series 2018 Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Board as the taxpayer and the holders of the Series 2018 Bonds may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Series 2018 Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Series 2018 Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Series 2018 Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Series 2018 Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Series 2018 Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax,

taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE SERIES 2018 BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Series 2018 Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Series 2018 Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such Series 2018 Bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Series 2018 Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Series 2018 Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2018 Bonds under federal or State law and could affect the market price or marketability of the Series 2018 Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Series 2018 Bonds should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE OF INFORMATION

Continuing Disclosure Undertaking of the Board

In the First Supplemental Resolution, the Board has agreed to provide certain updated financial information and operating data annually and timely notice of certain events for the benefit of the Owners of the Series 2018 Bonds. The Board is required to observe the agreement for so long as it remains obligated to advance funds to pay the Series

2018 Bonds. This information will be available from the Municipal Securities Rulemaking Board (the “MSRB”) through its Electric Municipal market Access (“EMMA”) system.

Annual Reports

The Board will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes Table 1, and Appendices D and G. The Board will update and provide this information within 195 days after the end of each fiscal year.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public that has been provided to the MSRB 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.

Notice of Certain Events

The Board will notify the MSRB in a timely manner, not in excess of ten (10) Business Days (as defined in Appendix A) 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 Series 2018 Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2018 Bonds, or other material events affecting the tax status of the Series 2018 Bonds; (7) modifications to rights of holders of the Series 2018 Bonds, if material; (8) Series 2018 Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2018 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 OF INFORMATION – Annual Reports.”

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

Continuing Disclosure Undertaking of Significant Borrowers

The Board covenants to obtain from each Significant Borrower an agreement, whether by a resolution, order or ordinance adopted by such Significant Borrower, pursuant to which the Significant Borrower will provide certain updated annual financial information and operating data to the MSRB annually, such financial information and operating data relating to the enterprise fund of the Significant Borrower from which the Significant Borrower is obligated to make Repayments to the Board. For purposes of the aforesaid agreement, the term “Significant Borrower” shall mean any Political Subdivision whose outstanding aggregate principal amount of bonds issued by such Political

Subdivision and held in the Portfolio Account as of the date of adoption of the First Supplemental Resolution, comprises at least 20% in principal amount of all Political Subdivision Bonds held in the Portfolio Account.

As of the date of this Official Statement, there are no Significant Borrowers.

Availability of Information

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

Limitations and Amendments

The Board has agreed to update information and to provide notices of material events only as described above. The Board has not agreed to provide other information that may be relevant or material to a complete presentation of the Board's financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Board makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Series 2018 Bonds at any future date. The Board 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 such agreement, although holders of Series 2018 Bonds may seek a writ of mandamus to compel the Board to comply with its agreements.

The Board may amend its continuing disclosure agreement 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 if the agreement, as amended, would have permitted an underwriter to purchase or sell Series 2018 Bonds in the offering described herein in compliance with the SEC Rule 15c2-12 and either the holders of a majority in aggregate principal amount of the outstanding Series 2018 Bonds consent or any person unaffiliated with the Board (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Series 2018 Bonds. If the Board so amends its agreement, it must 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 information and data provided.

Compliance with Prior Undertakings of the Board

With respect to its 2015 Continuing Disclosure Annual Report (the "2015 Report"), the Board inadvertently omitted listing the State of Texas Water Financial Assistance Bonds, Series 2015D, as an issue covered by the 2015 Report. The Board has taken steps to amend the 2015 Report to include the Series 2015D Bonds as a series covered by the 2015 Report. The Executive Administrator and staff of the Board have also instituted certain measures to assist in managing compliance with continuing disclosure obligations, including regularly reviewing debt and disclosure matters among staff and, to the extent necessary, outside consultants.

OTHER INFORMATION

Ratings

The Series 2018 Bonds are rated "AAA" by Fitch Ratings and "AAA" by S&P Global Ratings, a Standard & Poor's Financial Services LLC business respectively, to the Series 2018 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 Series 2018 Bonds.

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2018 Bonds from the Board, at an underwriting discount of \$971,716.50. The Underwriters will be obligated to purchase all of the Series 2018 Bonds if any Series 2018 Bonds are purchased. The Series 2018 Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Series 2018 Bonds into investment trusts) at prices lower than the public offering prices of such Series 2018 Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

Jefferies LLC ("Jefferies"), an Underwriter of the Series 2018 Bonds, has entered into an agreement with E*TRADE Securities LLC ("E*TRADE") for the retail distribution of municipal securities. Pursuant to the agreement, Jefferies will sell Series 2018 Bonds to E*TRADE and will share a portion of its selling concession compensation with E*TRADE.

Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA"), one of the underwriters of the Series 2018 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 Series 2018 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 Series 2018 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.

Additionally, certain of the other Underwriters may have entered into distribution agreements with other broker-dealers (that have not been designated by the Board as Underwriters) for the distribution of the Series 2018 Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

The Underwriters have requested the addition of the following: 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 activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Board, 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) and financial instruments (which may include bank loans and/or credit default swaps) 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, the State or the Political Subdivisions. 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 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.

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, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products 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.

Information Contained in Official Statement

The financial and other information contained herein have been obtained from the Board's records and other sources which are believed to be 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 resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and 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.

Financial Advisor

Hilltop Securities Inc. is employed as Financial Advisor to the Board in connection with the issuance of the Series 2018 Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2018 Bonds is contingent upon the issuance and delivery of the Series 2018 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 Series 2018 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.

Forward Looking Statements

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

The forward-looking statements 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, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

Approval of Official Statement

The First Supplemental Resolution approves the form and content of this Official Statement, and authorizes its further use in the reoffering of the Series 2018 Bonds by the Underwriters. Questions regarding this Official Statement may be directed to Georgia Sanchez, Debt Portfolio Manager and Development Fund Manager, Texas Water Development Board, 1700 North Congress Avenue, Austin, Texas 78701; Telephone: (512) 475-4584; Electronic Mail: georgia.sanchez@twdb.texas.gov.

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APPENDIX A
RELATED DEFINITIONS

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RELATED DEFINITIONS

MASTER RESOLUTION

“Additional State Revolving Fund” means any state revolving fund (other than the CWSRF established pursuant to Section 15.604, Texas Water Code, and the DWSRF established pursuant to Section 15.6041, Texas Water Code, as amended) established by the Board pursuant to the SRF Act.

“Annual Debt Service Requirements” means, for any Fiscal Year, the principal of and interest on all Covered Debt coming due at stated maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the Board on such Covered Debt, or be payable in respect of any required purchase of such Covered Debt by the Board) in such Fiscal Year, and, for such purposes, any one or more of the following rules shall apply at the election of the Board:

(i) Committed Take Out. If the Board has entered into a Credit Enhancement Agreement constituting a binding commitment within normal commercial practice to discharge any of its Covered Debt at its stated maturity (or, if due on demand, at any date on which demand may be made) or to purchase any of its Covered Debt at any date on which such Covered Debt is subject to required purchase, all under arrangements whereby the Board's obligation to repay the amounts advanced for such discharge or purchase constitutes “Funded Covered Debt,” then the portion of the Covered Debt deemed to be “Funded Covered Debt” committed to be discharged or purchased shall be excluded from such calculation and the principal of and interest on the Funded Covered Debt incurred for such discharging or purchase that would be due in the Fiscal Year for which the calculation is being made, if incurred at the stated maturity or purchase date of the Funded Covered Debt to be discharged or purchased, shall be added;

(ii) Balloon Covered Debt. If the principal (including the accretion of interest resulting from original issue discount or compounding of interest) of any series or issue of Funded Covered Debt due (or payable in respect of any required purchase of such Funded Covered Debt by the Board) in any Fiscal Year either is equal to at least 25% of the total principal (including the accretion of interest resulting from original issue discount or compounding of interest) of such Funded Covered Debt or exceeds by more than 50% the greatest amount of principal of such series or issue of Funded Covered Debt due in any preceding or succeeding Fiscal Year (such principal due in such Fiscal Year for such series or issue of Funded Covered Debt being referred to herein as "Balloon Covered Debt"), the amount of principal of such Balloon Covered Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the original principal amount of such Balloon Covered Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Covered Debt on the date of calculation;

(iii) Consent Sinking Fund. In the case of Balloon Covered Debt (as defined in clause (ii) above), if an Authorized Representative shall deliver to the Board a certificate providing for the retirement of (and the instrument creating such Balloon Covered Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Covered Debt shall permit the accumulation of a sinking fund for), such Balloon Covered Debt according to a fixed schedule stated in such certificate ending on or before the Fiscal Year in which such principal (and redemption premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the redemption premium, if any, and interest and other debt service charges on) such Balloon Covered Debt shall be computed as if the same were due in accordance with such schedule, provided, that this clause (iii) shall apply only to Balloon Covered Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such Covered Debt on or before the times required by such schedule; and provided, further that this clause (iii) shall not apply where the Board has elected to apply the rule set forth in clause (ii) above;

(iv) Prepaid Covered Debt. Principal of and interest on Covered Debt, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations (including without limitation capitalized interest and accrued interest so

deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such Covered Debt;

(v) Variable Rate. As to any Covered Debt that bears interest at a variable interest rate that cannot be ascertained at the time of calculation of the Annual Debt Service Requirement then, at the option of the Board, either (1) an interest rate equal to the average rate borne by such Covered Debt (or by comparable debt in the event that such Covered Debt has not been outstanding during the preceding twenty-four (24) months) for any twenty-four (24) month period ending within thirty (30) days prior to the date of calculation, or (2) an interest rate equal to the lesser of (A) the thirty (30) year Tax-Exempt Revenue Bond Index (as most recently published in *The Bond Buyer*), shall be presumed to apply for all future dates, unless such index is no longer published in *The Bond Buyer*, in which case an index of tax-exempt revenue bonds with maturities of at least twenty (20) years that is published in a newspaper or journal with national circulation may be used for this purpose or (B) the maximum net effective interest rate permitted by State law. If two series of Covered Debt that bear interest at variable interest rates, or one or more maturities within a series, of equal par amounts, are issued simultaneously with inverse floating interest rates providing a composite fixed interest rate for such Covered Debt taken as a whole, such composite fixed rate shall be used in determining the Annual Debt Service Requirement with respect to such Covered Debt;

(vi) Guarantee. In the case of any guarantee, no obligation will be counted if the Board does not anticipate in its annual budget that it will make any payments on the guarantee. If, however, the Board is making payments on a guarantee or anticipates doing so in its annual budget, such obligation shall be treated as Covered Debt and calculations of Annual Debt Service Requirements with respect to such guarantee shall be made assuming that the Board will make all additional payments due under the guaranteed obligation. If the entity whose obligation is guaranteed cures all defaults and the Board no longer anticipates making payments under the guarantee, the guaranteed obligations shall not be included in the calculation of Annual Debt Service Requirements;

(vii) Short-Term Debt. With respect to any Covered Debt issued in the form of Short-Term Debt, the interest on such Covered Debt shall be calculated in the manner provided in clause (v) of this definition (if such Short-Term Debt bears interest at a variable interest rate that cannot be ascertained at the time of calculation and the maturity schedule shall be calculated in the manner provided in clause (ii) of this definition; and

(viii) Credit Enhancement Agreement Payments. If the Board has entered into an Credit Enhancement Agreement in connection with an issue of Covered Debt, payments due under the Credit Enhancement Agreement (other than payments for fees and expenses), for either the Board or the Enhancement Provider, shall be included in such calculation, except to the extent that the payments are already taken into account under (i) through (vii) above and any payments otherwise included above under (i) through (vii) that are to be replaced by payments under a Credit Enhancement Agreement, from either the Board or the Credit Enhancement Provider, shall be excluded from such calculation.

With respect to any calculation of historic data, only those payments actually made in the subject period shall be taken into account in making such calculation and, with respect to prospective calculations, only those payments reasonably expected to be made in the subject period shall be taken into account in making the calculation.

“Attestor” means the Executive Administrator of the Board.

“Authorized Representative” means each of the Executive Administrator, the Chief Financial Officer and the Development Fund Manager of the Board, together with any officer or other employee of the Board at the time designated to act on behalf of the Board by written certificate submitted to the Fiscal Agent by the Executive Administrator, the Chief Financial Officer or the Development Fund Manager of the Board and containing such officer’s or employee’s specimen signature.

“Authorized Signer” means the Chairman of the Board.

“Board” means the Texas Water Development Board, a duly created and existing agency of the State, together with any successor to its rights, duties and obligations hereunder.

“Bond Act” means Subchapter I of Chapter 17 of the Texas Water Code, Vernon’s Texas Codes Annotated.

“Bond Counsel” means any attorney or firm of attorneys of nationally recognized standing on the subject of municipal bonds acceptable to the Board.

“Bondholder”, “Holder” or “Holder of an SRF Bond” shall have the meaning provided in the Supplemental Resolution designating the Series or Program Series of SRF Bonds.

“Business Day” means any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions in the city or cities in which the designated office of any Fiscal Agent or Credit Enhancement Provider are located and authorized by law or executive order to close, (iii) any day on which the Federal Reserve Bank of Dallas is closed, (iv) a day on which the a securities depository for a Series or Installment of SRF Bonds is closed or (v) a day on with the New York Stock Exchange, or any successor securities exchange, is closed.

“Chapter 1371” means Chapter 1371, Texas Government Code, or any successor or supplemental statutory provision relating to the subject matter thereof.

“Code” means the Internal Revenue Code of 1986, the Treasury Regulations, and any amendments of, or successor provisions to, the foregoing and any official rulings, announcements, notices, procedures and judicial determinations regarding any of the foregoing, all as and to the extent applicable. Unless otherwise indicated, reference to a section of the Code includes any applicable successor section or provision and such applicable Treasury Regulations, rulings, announcements, notices, procedures and determinations pertinent to that section.

“Collateral Documents” means all documents, certificates, resolutions, orders, commitments, agreements, instruments and opinions adopted, approved, made, produced or entered into by a Political Subdivision, or others, in connection with any particular issue of Political Subdivision Bonds.

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

“Coverage Requirement for SRF Bonds” means an amount equal to 105% of the Annual Debt Service Requirements for Covered Debt in any Fiscal Year.

“Covered Debt” means all outstanding SRF Bonds.

“Credit Enhancement Agreement” means any loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitment to purchase an obligation, purchase or sale agreement, interest rate swap agreement, cap or floor agreement, currency swap agreement or commitment or other agreement authorized by the Board in connection with the authorization, issuance, sale, resale, security, exchange, payment, purchase, remarketing, or redemption of SRF Bonds, interest on SRF Bonds, or both (or any other obligation, or the interest on such other obligation, or both), as otherwise authorized by the Bond Act or Chapter 1371, entered into by the Board with any other Person, which is secured by a pledge of and lien on the Security for the SRF Bonds in the manner provided in the Master Resolution and the Supplemental Resolution authorizing the SRF Bonds (or the resolution authorizing such other obligations) that are the subject of such Credit Enhancement Agreement and is authorized, recognized and approved by the Board as a “Credit Enhancement Agreement”. By its adoption of a Supplemental Resolution, the Board may approve one or more Credit Enhancement Agreements for any Series, Program Series or Installment of SRF Bonds designated and issued thereunder. Further, to the extent permitted by law, the Board may approve one or more Credit Enhancement Agreements in anticipation of or subsequent to the authorization and issuance of any SRF Bonds benefiting from or otherwise related to such Credit Enhancement Agreement(s).

“Credit Enhancement Provider” means the Person, if any, that is the Credit Enhancement Provider then obligated under any Credit Enhancement Agreement.

“CWSRF” means the State Water Pollution Control Revolving Fund, administered by the Board and established pursuant to Section 15.604 of the SRF Act. The CWSRF is a fund outside of the State Treasury.

“CWSRF Bond Proceeds Subaccount” means the subaccount so designated in the Master Resolution.

“CWSRF Bonds” means bonds, notes or other obligations or evidences of indebtedness authorized to be issued in Series and Installments from time to time under the Master Resolution issued to augment the CWSRF.

“CWSRF Equity Subaccount” means the subaccount so designated in the Master Resolution.

“CWSRF Expense Account” means the account so designated in the Master Resolution.

“CWSRF General Obligation Match Bonds” means the State’s general obligation bonds heretofore or hereafter issued by the Board, all or any portion of the proceeds of which were or shall be transferred to the CWSRF pursuant to a Transfer Resolution, in order to provide the required State matching of capitalization grant funds received by the State for deposit into the CWSRF pursuant to the Federal Clean Water Act.

“CWSRF Master Resolution” means the “Amended and Restated Master Resolution” adopted by the Board on June 20, 2013, governing the issuance of bonds to augment the CWSRF.

“CWSRF Portfolio Account” means the account so designated in the Master Resolution.

“CWSRF Program Account” means the account so designated in the Master Resolution.

“CWSRF Revenue Account” means the account so designated in the Master Resolution.

“CWSRF Subordinate Obligations” means any bonds, notes, agreements or other obligations or evidences of indebtedness (other than CWSRF General Obligation Match Bonds or Other SRF Obligations) issued or incurred by the Board from time to time pursuant to proceedings other than the Master Resolution, which are secured by a pledge of and lien on the Security for the SRF Bonds that is junior and subordinate to the lien of the Master Resolution securing payment of the SRF Bonds.

“Defeasance Obligations” means any investment that is authorized for the purpose of defeasing an obligation of the Board pursuant to State law.

“Designated Pledged CWSRF Revenues” means all Pledged CWSRF Revenues other than Sale Proceeds and Prepayments of CWSRF Bonds.

“Designated Pledged DWSRF Revenues” means all Pledged DWSRF Revenues other than Sale Proceeds and Prepayments of DWSRF Bonds.

“Designated Pledged SRF Revenues” means the Designated Pledged CWSRF Revenues and the Designated Pledged DWSRF Revenues.

“Designated Rating Agency” means any Rating Agency, identified by an Authorized Representative as a Designated Rating Agency for purposes of the Master Resolution, which has issued and currently maintains a rating on the SRF Bonds in exchange for good and valuable consideration paid by the Board.

“Dollars” or “\$” means lawful currency of the United States.

“DWSRF” means the Safe Drinking Water Revolving Fund administered by the Board and established pursuant to Section 15.6041 of the SRF Act. The DWSRF is a fund outside of the State Treasury.

“DWSRF Bond Proceeds Subaccount” means the subaccount so designated in the Master Resolution.

“DWSRF Bonds” means bonds, notes or other obligations or evidences of indebtedness authorized to be issued in Series and Installments from time to time under the Master Resolution issued to augment the DWSRF.

“DWSRF Equity Subaccount” means the account so designated in the Master Resolution.

“DWSRF Expense Account” means the account so designated in the Master Resolution.

“DWSRF General Obligation Match Bonds” means the State’s general obligation bonds heretofore or hereafter issued by the Board, all or any portion of the proceeds of which were or shall be transferred to the DWSRF pursuant to a Transfer Resolution, in order to provide the required State matching of capitalization grant funds received by the State for deposit into the DWSRF pursuant to the Federal Drinking Water Act.

“DWSRF Portfolio Account” means the account so designated in the Master Resolution.

“DWSRF Program Account” means the subaccount so designated in the Master Resolution.

“DWSRF Revenue Account” means the subaccount so designated in the Master Resolution.

“DWSRF Subordinate Obligations” means any bonds, notes, agreements or other obligations or evidences of indebtedness (other than DWSRF General Obligation Match Bonds or Other SRF Obligations) issued or incurred by the Board from time to time pursuant to proceedings other than the Master Resolution, which are secured by a pledge of and lien on the Security for the SRF Bonds that is junior and subordinate to the lien of the Master Resolution securing payment of the SRF Bonds.

“Effective Date” means March 1, 2018.

“EPA” means the United States Environmental Protection Agency, together with any successor to its rights, duties and obligations under the Federal Clean Water Act or the Federal Drinking Water Act.

“Event of Default” means any of the following events:

(a) Default in the payment of any interest on any Bond when and as the same shall have become due and payable;

(b) Default in the payment of the principal of or any redemption premium on any Bond when and as the same shall become due, whether at the stated maturity date or the redemption or tender date thereof (pursuant to any mandatory sinking fund requirement or purchase obligation set forth in a Supplemental Resolution);

(c) Default in the observance or performance of any other of the covenants, agreements or conditions on the part of the Board included in the Master Resolution or any Supplemental Resolution or in the SRF Bonds and the continuance thereof for a period of thirty (30) days after written notice to the Board and the Credit Enhancement Providers, if any, given by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the outstanding SRF Bonds; or

(d) The occurrence of any Event of Default under a Supplemental Resolution (which may include events of default in connection with a Credit Enhancement Agreement authorized by a Supplemental Resolution).

“Federal Clean Water Act” means Title VI of the Federal Water Pollution Control Act of 1972, as amended by the Water Quality Act of 1987 (33 United States Code §§ 1251 et seq.), as the same may be amended.

“Federal Drinking Water Act” means the Safe Drinking Water Act, 42 U.S.C. Section 300f et seq., as the same may be amended.

“Financing Program” means the financing program established by the Board pursuant to the Master Resolution and pursuant to which the Board has (i) authorized the issuance of SRF Bonds pursuant to Supplemental Resolutions and (ii) authorized the establishment of one or more Program Periods during which SRF Bonds of a Program Series may be issued in one or more Installments, in an aggregate principal amount not to exceed the amount permitted under the terms of the related Supplemental Resolution, all for the purposes authorized under the Master Resolution.

“Fiscal Agent” means any fiscal agent, issuing agent, paying agent, remarketing agent, auction agent, market agent, broker-dealer, trustee or other similar agent appointed pursuant to a Supplemental Resolution and serving in one or more of such or similar capacities in accordance with such Supplemental Resolution.

“Fiscal Year” means the period of twelve (12) months from and including September 1 of any calendar year to and including August 31 of the next following calendar years, provided, that the Fiscal Year of the issuer may be changed to another twelve-month period to coincide with a change in the Fiscal Year of other State agencies.

“Funded Covered Debt” means all Covered Debt that matures by its terms (in the absence of the exercise of any earlier right of demand), or is renewable at the option of the Board to a date, more than one year after the original creation, assumption, or guarantee of such Covered Debt.

“General Obligation Match Bond Interest and Sinking Account” means the account so designated in the Master Resolution.

“General Obligation Match Bonds” means, collectively, CWSRF General Obligation Match Bonds and DWSRF General Obligation Match Bonds.

“Government Obligations” means (a) direct obligations of the United States of America for the payment of which the full faith and credit of the United States of America is pledged and (b) obligations issued by a Person controlled or supervised by and acting as an instrumentality of the United States of America, the payment of the principal of and premium, if any, and interest on which is fully guaranteed as a full faith and credit obligation of the United States of America (including any securities described in (a) or (b) issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), which obligations, in either case, are not subject to redemption prior to maturity at less than par at the option of anyone other than the holder.

“Installment” or “Installments” means each separate series of the SRF Bonds, issued from time to time during a Program Period pursuant to the terms of the Master Resolution and the Supplemental Resolution designating a Program Series. Each Installment of SRF Bonds shall be treated as a separate series of SRF Bonds for all purposes of the Master Resolution and the related Supplemental Resolution, including without limitation, for purposes of calculating Average Annual Debt Service Requirements.

“Issue Date” means for any SRF Bond the date on which such Bond is delivered to the purchaser or purchasers thereof upon original issuance thereof.

“Master Resolution” means the resolution adopted by the Board on March 1, 2018, governing the issuance of SRF Bonds, as the same may be amended or supplemented from time to time.

“Operating Account” means the account so designated in the Master Resolution.

“Operating Expenses” means the current expenses of operating and administering the CWSRF incurred by the Board pursuant to the Federal Clean Water Act and the SRF Act, and the DWSRF incurred by the Board pursuant to the Federal Drinking Water Act and the SRF Act.

“Other SRF Obligations” means any obligations (other than Subordinate Obligations and General Obligation Match Bonds) secured in whole or in part by a pledge of a lien on all or a portion of the Security for the SRF Bonds; provided, however, that the pledge of and lien on the security granted to any Other SRF Obligation may not be prior or superior to the pledge of and lien on the Security for the SRF Bonds granted to the SRF Bonds or the Subordinate Obligations.

“Payment Date” means a date payments of interest on or principal of SRF Bonds by their terms are scheduled to be due and owing.

“Permitted Investments” means, to the extent permitted by law, the following:

(a) direct obligations of or obligations the principal of and interest on which are guaranteed by the United States;

(b) direct obligations of or obligations guaranteed by agencies or instrumentalities of the United States government;

(c) obligations of the State or of cities, counties and other political subdivisions of the State, except Political Subdivision Bonds, which have been rated as to investment quality by one or more nationally recognized investment rating firms and which have received ratings of not less than ‘A’ or its equivalent from each Designated Rating Agency and all such firms with ratings for such obligations;

(d) fully collateralized direct security repurchase agreements with an agreed upon rate (made only with state or national banks doing business in the State which have been rated as to investment quality by one or more nationally recognized investment rating firms and which have received ratings of not less than ‘A’ or its equivalent from each Designated Rating Agency and all such firms with ratings for such banks or with primary dealers as approved by the Federal Reserve System) pursuant to which the Board buys, holds in its possession or the possession of a financial institution acting solely as agent for the Board until the termination date, and then sells back any of the following securities, obligations or participation certificates (the “Collateral”), under arrangements whereby the Collateral is monitored daily such that if at any time the aggregate market value of the Collateral falls below 100% of the repurchase agreement principal and interest outstanding, in case the Collateral is described in (i) or (ii) below, or 101% of the repurchase agreement principal and interest outstanding, in case the collateral is described in (iii) below, the Board is entitled to require a transfer of cash or other acceptable Collateral so that the cash and the aggregate market value of all such Collateral will thereupon equal or exceed the required 100% or 101%, as appropriate:

(i) United States government securities;

(ii) direct obligations of or obligations the principal of and interest on which are guaranteed by the United States; and

(iii) direct obligations of or obligations guaranteed by agencies or instrumentalities of the United States government;

(e) reverse security repurchase agreements with a defined termination date of not more than 90 days and an agreed upon rate (made only with state or national banks doing business in the State which have been rated as to investment quality by one or more nationally recognized investment rating firms and which have received ratings of not less than “A” or its equivalent from each Designated Rating Agency and all such firms with ratings for such banks or with primary dealers as approved by the Federal Reserve System) pursuant to which the Board sells, and on the termination date buys back, any of the following securities, obligations or participation certificates:

(i) United States government securities;

(ii) direct obligations of or obligations the principal of and interest on which are guaranteed by the United States; and

(iii) direct obligations of or obligations guaranteed by agencies or instrumentalities of the United States government;

(f) bankers acceptances that are eligible for purchase by the Federal Reserve System, do not exceed two hundred seventy (270) days to maturity and are issued by a bank that has received the highest short-term credit rating by each Designated Rating Agency and all nationally recognized investment rating firms with ratings for such bank;

(g) commercial paper that does not exceed two hundred seventy (270) days to maturity and has received the highest short-term credit rating by each Designated Rating Agency and all nationally recognized investment rating firms with ratings for such commercial paper;

(h) direct obligations or obligations guaranteed by the Inter-American Development Bank, the International Bank for Reconstruction and Development (the World Bank), the African Development Bank, the Asian Development Bank, or the International Finance Corporation, that have received the highest credit rating by each Designated Rating Agency and all nationally recognized investment rating firms with ratings for such obligations;

(i) mutual funds composed of obligations described in (a) through (g) above, which are rated not less than 'Am' or its equivalent from each Designated Rating Agency;

(j) guaranteed investment contracts, pursuant to which securities described in (a), (b), and (d) above are to be acquired; and

(k) such other investments as may be legally authorized investments for the CWSRF or the DWSRF which are specified in a Supplemental Resolution.

"Person" or words importing persons, means firms, associations, partnerships (including without limitation, general and limited partnerships), limited liability companies, joint ventures, societies, estates, trusts, corporations, public or governmental bodies, other legal entities and natural persons.

"Pledged CWSRF Revenues" means (i) all Repayments, (ii) all other amounts received by the Board under any Collateral Documents, (iii) all Sale Proceeds, and (iv) all amounts received by the Board as income, profits or gain on investments of money held in the CWSRF (other than moneys received from federal capitalization grants under the Federal Clean Water Act held in the CWSRF Expense Account).

"Pledged DWSRF Revenues" means (i) all Repayments, (ii) all other amounts received by the Board under any Collateral Documents, (iii) all Sale Proceeds, and (iv) all amounts received by the Board as income, profits or gain on investments of money held in the DWSRF (other than moneys received from federal capitalization grants under the Federal Drinking Water Act held in the DWSRF Expense Account).

"Pledged SRF Revenues" means, collectively, Pledged CWSRF Revenues and Pledged DWSRF Revenues.

"Political Subdivision" means any municipality, intermunicipal, interstate or State agency or any other public entity (including specifically a Water Supply Corporation) eligible for assistance under the SRF Act; provided, that any of the foregoing is eligible for assistance under applicable federal law.

"Political Subdivision Bonds" means bonds, notes, or other securities issued by and any debt or other contractual obligations, including loan agreements with the Board, incurred by a Political Subdivision and heretofore and hereafter acquired by the Board in carrying out the purposes of the CWSRF or the DWSRF pursuant to the SRF Act.

"Portfolio Redemption Account" means the account so designated in the Master Resolution.

"Prepayments" means all amounts received by the Board from payment of principal of Political Subdivision Bonds and Government Obligations held in the CWSRF Portfolio Account, in the case of CWSRF Bonds, and the DWSRF Portfolio Account, in the case of DWSRF Bonds, which amounts are received prior to the stated maturity date or dates or any scheduled mandatory redemption dates of such Political Subdivision Bonds and Government Obligations.

“Program Period” means the period beginning and ending on the dates identified in a Supplemental Resolution during which SRF Bonds of a Program Series may be issued in one or more Installments for any lawful purpose specified in the related Supplemental Resolution.

“Program Series” means SRF Bonds, issued in one or more Installments, from time to time during a Program Period established pursuant to the terms of the Master Resolution and the related Supplemental Resolution.

“Program Termination Date” means the date determined by the Board in a Supplemental Resolution as the last day of a Program Period.

“Rating Agency” means any nationally recognized statistical rating organization (as defined by Rule 15c3-1 of the General Rules and Regulations under the Securities Exchange Act of 1934) designated by an Authorized Representative.

“Repayments” means all amounts received by the Board from the payment of principal of and redemption premium, if any, and interest on Political Subdivision Bonds and Government Obligations held in the CWSRF Portfolio Account, in the case of CWSRF Bonds, and the DWSRF Portfolio Account, in the case of DWSRF Bonds, including, without limitation, all Prepayments.

“Restricted Repayments” means moneys deposited to the credit of the CWSRF Equity Subaccount or the DWSRF Equity Subaccount, as the case may be, representing Repayments on Political Subdivision Bonds, the purchase of which was funded with proceeds of a Series or Installment of SRF Bonds issued as tax-exempt obligations under the Code.

“Sale Proceeds” means the gross proceeds (other than accrued interest) resulting from the sale of Political Subdivision Bonds and Government Obligations held in the CWSRF Portfolio Account, in the case of CWSRF Bonds, and the DWSRF Portfolio Account, in the case of DWSRF Bonds.

“Security for the SRF Bonds” means: (i) all Pledged SRF Revenues; (ii) all Political Subdivision Bonds and Government Obligations held in the CWSRF Portfolio Account (except for those Political Subdivision Bonds released in accordance with the provisions of the Master Resolution), all amounts in the CWSRF Revenue Account and the CWSRF Program Account pending disbursement thereof; (iii) all Political Subdivision Bonds and Government Obligations held in the DWSRF Portfolio Account (except for those Political Subdivision Bonds released in accordance with provisions of the Master Resolution), all amounts in the DWSRF Revenue Account and the DWSRF Program Account pending disbursement thereof; (iv) all amounts held in the Portfolio Redemption Account; and (v) all of the proceeds of the foregoing, including, without limitation, investments thereof.

“Senior Bond Interest and Sinking Account” means the account so designated in the Master Resolution.

“Senior Interest Subaccount” means the subaccount so designated in the Master Resolution.

“Senior Principal Subaccount” means the subaccount so designated in the Master Resolution.

“Series” means a separate series of SRF Bonds as specified by or pursuant to the terms of a Supplemental Resolution.

“Short-Term Debt” means all bonds, notes, commercial paper or other obligations issued or incurred pursuant to the Master Resolution that mature in less than 365 days. In the event Short-Term Debt is issued as a line of credit, lending commitment, commercial paper program, direct purchase program, or similar program, the full amount of such facility, commitment or program shall not be treated as Short-Term Debt to the extent that such facility, commitment or program remains available but undrawn.

“SRF Act” means Subchapter J of Chapter 15 of the Texas Water Code, Vernon’s Texas Codes Annotated, as amended.

“State” means the State of Texas.

“SRF Bond” or “SRF Bonds” means bonds, notes or other obligations or evidences of indebtedness authorized to be issued in Series and Installments from time to time under the Master Resolution and that are secured by security superior to the lien on and pledge of security granted to Subordinate Obligations. The CWSRF Bonds and the DWSRF Bonds are collectively referred to as SRF Bonds in the Master Resolution.

“Subordinate Obligations” means, collectively, CWSRF Subordinate Obligations and DWSRF Subordinate Obligations.

“Subordinated Credit Agreement” means any loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitment to purchase an obligation, purchase or sale agreement, interest rate swap agreement, cap or floor agreement, currency swap agreement or commitment or other agreement authorized by the Board in connection with the authorization, issuance, sale, resale, security, exchange, payment, purchase, remarketing, or redemption of bonds, interest on bonds, or both (or any other obligation, or the interest on such other obligation, or both), as otherwise authorized by the Bond Act or Chapter 1371, entered into by the Board with any other Person, which is secured by a pledge of and lien on the Security for the SRF Bonds that is junior and subordinate to the Security for the SRF Bonds in favor of the SRF Bonds, as may be provided in any master resolution and related supplemental resolution authorizing any Subordinate Obligations, General Obligation Match Bonds or Other SRF Obligations that are the subject of such Subordinated Credit Agreement and is authorized, recognized and approved by the Board as a “Subordinated Credit Agreement”. By its adoption of a master resolution or supplemental resolution, the Board may approve one or more Subordinated Credit Agreements for any Subordinate Obligations, General Obligation Match Bonds or Other SRF Obligations designated and issued thereunder. Further, to the extent permitted by law, the Board may approve one or more Subordinated Credit Agreements in anticipation of or subsequent to the authorization and issuance of any bonds benefitting from or otherwise related to such Subordinated Credit Agreement(s).

“Subordinated Credit Provider” means the Person, if any, that is the Subordinated Credit Provider then obligated under any Subordinated Credit Agreement.

“Supplemental Resolution” means any resolution adopted by the Board specifying the designation and aggregate principal amount for any Series or Program Series of SRF Bonds and, if applicable, approving one or more Credit Enhancement Agreements for some or all of the SRF Bonds of such Series or Program Series to secure all of the SRF Bonds of such Series or Program Series; it being acknowledged that if a Credit Enhancement Agreement is provided for a Series or Installment of SRF Bonds, such Credit Enhancement Agreement must secure all of the SRF Bonds of such Series or Installment, but that different Credit Enhancement Agreements may secure different Installments of SRF Bonds.

“Term of Issue” means with respect to any Balloon Covered Debt, including, without limitation, commercial paper, a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Covered Debt and ending on the final maturity date of such Balloon Covered Debt or the maximum maturity date in the case of commercial paper or (ii) twenty-five (25) years.

“Transfer Date” means the last Business Day of each month in which the Board shall transfer (i) Transferred SRF Revenues as described in the Master Resolution and from any Additional State Revolving Fund, (ii) Designated Pledged CWSRF Revenues from the CWSRF Revenue Account as determined by an Authorized Representative, and (iii) Designated DWSRF Revenues from the DWSRF Revenue Account as determined by an Authorized Representative, and deposit the same to the credit of the those accounts and subaccounts as directed in the Master Resolution, in the amounts and in the order of priority as directed in the Master Resolution.

“Transfer Resolutions” means the resolutions heretofore and hereafter adopted by the Board authorizing the transfer of CWSRF General Obligation Match Bond proceeds to the CWSRF or the transfer of DWSRF General Obligation Match Bond proceeds to the DWSRF, as the case may be.

“Transferred SRF Revenues” means any revenues transferred from an Additional State Revolving Fund to the CWSRF or the DWSRF, as provided for in the Master Resolution.

“Treasury Regulations” means all applicable temporary, proposed and final regulations and procedures promulgated under the Code or promulgated under the Internal Revenue Code of 1954, to the extent applicable to the Code.

“Trust Agreement” means the Funds Management and Investment Agreement, effective January 1, 2007, as amended between the Board and the Texas Treasury Safekeeping Trust Company, acting on behalf of the Comptroller, relating to the custody and administration of the CWSRF and the DWSRF, together with any amendments or supplements thereto.

“Unrelated SRF Prepayments” means: (i) Prepayments derived from Political Subdivision Bonds or Government Obligations related to a Series or Installment of SRF Bonds or Subordinate Obligations issued as tax-exempt obligations under the Code, other than the Series or Installment of SRF Bonds or Subordinate Obligations then being redeemed or (ii) Prepayments derived from Political Subdivision Bonds or Government Obligations related to General Obligation Match Bonds issued as tax-exempt obligations under the Code.

“Water Resource Fund” means the Texas Water Resources Fund administered by the Board and established pursuant to the Bond Act. The Water Resources Fund is a fund in the State Treasury.

“Water Supply Corporation” means a nonprofit water supply corporation created and operating under Chapter 67 of the Texas Water Code.

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“Agency Agreement” means the Paying Agent/Registrar Agreement between the Board and The Bank of New York Mellon Trust Company, N.A., as Agent, or any agreement between the Board and any successor Agent, as any such agreement may be amended or supplemented from time to time.

“Agent” means the paying agent appointed pursuant to the First Supplemental Resolution and serving in such capacities in accordance with the First Supplemental Resolution; and “principal office” of the Agent means the office thereof designated in writing to the Board; provided, that the Agent may designate separate principal offices for all other Series of SRF Bonds issued under the Master Resolution.

“Agent Member” means a member of, or participant in, the Depository.

“Authorized Denomination” shall mean \$5,000 or any integral multiple thereof.

“Bond Purchase Agreement” means the Purchase Contract in substantially the form attached to the First Supplemental Resolution as Exhibit D, between the Board and the Underwriters (acting through their duly designated representative), relating to the sale of the Series 2018 Bonds to the Underwriters for the price and subject to the terms and conditions set forth therein.

“Bondholder”, “Holder” or “Holder of a SRF Bond” means (i) the record owner of any Bond shown on the Register and (ii) so long as the Bonds are registered in accordance with the provisions of the First Supplemental Resolution, the Depository.

“Book entry form” or “book entry system” means, with respect to the Series 2018 Bonds, a form or system, as applicable, under which (i) the ownership of beneficial interests in Series 2018 Bonds may be transferred only through a book entry and (ii) physical Series 2018 Bond certificates in fully registered form are registered only in the name of a Depository or its nominee as Holder, with the physical Series 2018 Bond certificates “immobilized” in the custody of the Depository or of the Agent on behalf of the Depository. The book entry system is maintained by and is the responsibility of the Depository and not the Agent. The book entry is the record that identifies, and records the transfer of the interests of, the owners of beneficial (book entry) interests in the Series 2018 Bonds.

Business Day” means any day other than (i) a Saturday or Sunday, (ii) a legal holiday, or (iii) a day on which banking institutions in the city in which the designated office of the Agent is located and authorized by law or executive order to close.

“Chapter 1371” means Chapter 1371, Texas Government Code.

“Computation Amount” means the surplus proceeds (rounded to the next higher \$5,000 denomination) equal to the remainder of (i) thirty percent (30%) of the Net Proceeds less proceeds of the Series 2018 Bonds directly or indirectly used to make loans or grants to Political Subdivisions as of the last day of the One-Year Computation Period (but not less than zero) or (ii) ninety-five percent (95%) of the Net Proceeds less the proceeds of the Series 2018 Bonds directly or indirectly used to make loans or grants to Political Subdivisions as of the last day of the Three-Year Computation Period (but not less than zero).

“Counsel” means an attorney, or firm of attorneys, admitted to practice law before the highest court of any state in the United States of America or the District of Columbia, including Bond Counsel.

“CWSRF Match Bonds” means the principal amount of Series 2018 Bonds issued to provide matching funds for federal capitalization grants for the CWSRF, as certified to in writing by an Authorized Representative.

“Date of Delivery” means the date of delivery of the Series 2018 Bonds to the Underwriters.

“Depository” means The Depository Trust Company (a limited purpose trust company), New York, New York (“DTC”), until any successor Depository shall have become such pursuant to the applicable provisions of the Master Resolution and, thereafter, “Depository” shall mean the successor Depository. Any Depository shall be a securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book entry system to record ownership of beneficial interests in Series 2018 Bonds, and to effect transfer of Series 2018 Bonds, in book entry form.

“Designated Rating Agency” means any Rating Agency, identified by an Authorized Representative as a Designated Rating Agency for purposes of the First Supplemental Resolution, which has issued a rating on the SRF Bonds in exchange for good and valuable consideration paid by the Board.

“DTC Participant” means the securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

“DWSRF Match Bonds” means the principal amount of Series 2018 Bonds issued to provide matching funds for federal capitalization grants for the DWSRF, as certified to in writing by an Authorized Representative.

“Financing Program” means the subordinate lien financing program established by the Board pursuant to the Master Resolution and pursuant to which the Board shall (i) authorize the issuance of SRF Bonds pursuant to a Supplemental Resolution or (ii) establish one or more Program Periods during which SRF Bonds may be issued in one or more Installments, in an aggregate principal amount not to exceed the amount permitted under the terms of the related Supplemental Resolution, all for the purposes authorized under the Master Resolution.

“First Supplemental Resolution” means the First Supplemental Resolution authorizing the issuance, sale and delivery of the Series 2018 Bonds, as the same may be amended or supplemented from time to time as permitted hereby.

“Fitch” means Fitch Ratings, Inc. and its successors and assigns; and, if such company shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by an Authorized Representative by notice to the Agent.

“Interest Payment Date” means any interest payment date as so identified in the Bond Purchase Agreement.

“Letter of Representations” means the Blanket Letter of Representations between the Board and the Depository, or another such Letter of Representations if determined necessary by an Authorized Representative, each as amended or supplemented from time to time.

“Master Resolution” has the meaning assigned to that term in the recitals to the First Supplemental Resolution.

“Maturity Date” means with respect to any Series 2018 Bond, the scheduled date or dates of final payment of such Series 2018 Bond, as so identified in the Bond Purchase Agreement.

“Moody’s” means Moody’s Investors Service, Inc., and its successors and assigns; and, if such company shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by an Authorized Representative by notice to the Agent.

“MSRB” means the Municipal Securities Rulemaking Board.

“Net Proceeds” means the amounts received from the sale of the Series 2018 Bonds less proceeds used to pay costs of issuance, including any underwriters’ compensation, proceeds used to pay interest on Series 2018 Bonds during all or any portion of the One-Year Computation Period or the Three-Year Computation Period, as the case may be, and proceeds deposited to a reasonably required reserve or replacement fund.

“One-Year Computation Period” means the period ending on the last day of the one year period commencing on the Date of Delivery.

“Opinion of Bond Counsel” means any opinion of Bond Counsel and, as the context may require, any such opinion with respect to the excludability of interest on the Series 2018 Bonds, from gross income for federal income tax purposes and any other matters as required pursuant to the First Supplemental Resolution. No such opinion delivered pursuant hereto shall be deemed unsatisfactory when required as a condition to any provision hereunder because such opinion states that interest on the Series 2018 Bonds which are the subject of the opinion is an item of tax preference or is includable in determining alternative minimum taxable income under the Code.

“Outstanding”, when used with reference to the Series 2018 Bonds at any date as of which the amount of outstanding Series 2018 Bonds is to be determined, means all Series 2018 Bonds which have been authenticated and delivered by the Agent hereunder, except:

- (a) Series 2018 Bonds canceled or delivered for cancellation at or prior to such date;
- (b) Series 2018 Bonds deemed to be paid in accordance with the Master Resolution;
- (c) Series 2018 Bonds in lieu of which others have been authenticated under Sections 2.09 and 2.10 of the First Supplemental Resolution; and
- (d) For purposes of any consent, request, demand, authorization, direction, notice, waiver or other action to be taken by the holders of a specified percentage of outstanding Series 2018 Bonds under the First Supplemental Resolution, all Series 2018 Bonds held by or for the account of the Board, except that for purposes of any such consent, request, demand, authorization, direction, notice, waiver or action the Agent shall be obligated to consider as not being outstanding only Series 2018 Bonds known by the Agent by actual notice thereof to be so held.

“Principal Payment Date” means any principal payment date as so identified in the Bond Purchase Agreement, including any scheduled mandatory sinking fund payment date.

“Rating Agency” means any nationally recognized statistical rating organization (as defined by Rule 15c3-1 of the General Rules and Regulations under the Securities Exchange Act of 1934) designated by an Authorized Representative by notice to the Agent.

“Record Date” means the close of business on the fifteenth day of the month preceding an Interest Payment Date.

“Register” means the books kept and maintained by the Agent for the registration and transfer of Series 2018 Bonds pursuant to the First Supplemental Resolution.

“Rule” means SEC Rule 15c2-12.

“S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, and its successors and their assigns; and, if such company shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by an Authorized Representative by notice to the Agent.

“SEC” means the United States Securities and Exchange Commission.

“Series 2018 Bonds” means the SRF Bonds authorized to be issued pursuant to the First Supplemental Resolution.

“Significant Borrower” means any Political Subdivision whose outstanding aggregate principal amount of bonds issued by such Political Subdivision and held in the Portfolio Account comprises at least twenty percent (20%) in aggregate principal amount of all Political Subdivision Bonds held in the CWSRF Portfolio Account or the DWSRF Portfolio Account, as the case may be.

“Three-Year Computation Period” means the period ending on the last day of the three year period commencing on the Date of Delivery.

“Underwriters” means RBC Capital Markets LLC, together with other firms designated in the Bond Purchase Agreement, as the underwriters for the Series 2018 Bonds.

APPENDIX B

**INFORMATION REGARDING THE
CLEAN WATER STATE REVOLVING FUND
AND THE
DRINKING WATER STATE REVOLVING FUND**

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STATE REVOLVING FUNDS

Federal Overview

Title VI of the Federal Water Pollution Control Act of 1972, as amended by the Water Quality Act of 1987, as amended, 33 U.S.C. 1251 *et seq.*, (the “Federal Clean Water Act”), established a clean water (wastewater) state revolving fund program. Under this program, each state is required to establish a revolving fund administered by the state or an instrumentality of the state in order to accept from the United States Environmental Protection Agency (“EPA”) federal grants for eligible projects, including the construction of publicly owned treatment works, storm water management, reduction of demand for publicly owned treatment works capacity through water conservation, efficiency, or reuse, nonpoint source pollution control projects and other authorized purposes pursuant to the Federal Clean Water Act (“CWSRF Capitalization Grants”). As a condition to receiving a CWSRF Capitalization Grant, the revolving fund established by a state is required to be perpetual, into which the CWSRF Capitalization Grant must be deposited, and a state must provide state matching funds at least equal to 20% of the CWSRF Capitalization Grant. Historically, proceeds of general obligation bonds issued by the Board have been used to provide the matching funds. Funds in a state revolving fund are permitted to be applied to provide financial assistance to eligible Political Subdivisions in a number of ways, including initiating direct Political Subdivision Bonds, buying or refinancing local debt obligations, and providing loan guarantees.

In 1996, amendments to the Federal Safe Drinking Water Act, 42 U.S.C. Section 300f *et seq.*, as supplemented and amended (the “Federal Drinking Water Act” and together with the Federal Clean Water Act, the “*Federal Act*”), established a safe drinking water revolving fund program. Under this program, each state is required to establish a revolving fund administered by the state or an instrumentality of the state in order to accept from the EPA federal grants for eligible drinking water projects pursuant to the Federal Safe Drinking Water Act (“DWSRF Capitalization Grants,” and together with CWSRF Capitalization Grants, “Federal Capitalization Grants”). As a condition to receiving a DWSRF Capitalization Grant, the revolving fund established by a state is required to be perpetual, into which the DWSRF Capitalization Grant must be deposited, and a state must provide state matching funds at least equal to 20% of the DWSRF Capitalization Grant. Historically, proceeds of general obligation bonds issued by the Board and general revenues of the State have been used to provide such matching funds. The safe Drinking Water State Revolving Fund (the “DWSRF”) Political Subdivision Bonds serve to protect the public health and to achieve compliance with the Federal Drinking Water Act. The state drinking water revolving fund is used to provide financial assistance to publicly owned or privately owned water systems in connection with the planning, design, development, construction, repair, extension, improvement, remodeling, alteration, rehabilitation, reconstruction or acquisition of all or a portion of a public water system.

State matching funds provided to obtain CWSRF Capitalization Grants and DWSRF Capitalization Grants are referred to herein as “State Match.”

CWSRF Program. In 1987, legislation was adopted in the State establishing a program to comply with the state revolving fund requirements set forth in the Federal Clean Water Act. State law (codified in Subchapter J of Chapter 15 of the Texas Water Code), established the state water pollution control revolving fund (the “CWSRF”) to implement Title VI of the Federal Clean Water Act. This legislation designates the Board as the state instrumentality to apply for and administer CWSRF Capitalization Grants that are available through the Federal Clean Water Act. Projects which are eligible to be financed through the CWSRF are generally wastewater system improvements although the Water Resources Reform and Development Act of 2014 (Pub. Law 113-121) expanded considerably the projects eligible to be financed through the CWSRF.

The CWSRF is permanent and perpetual and is not subject to fiscal year limitations. The Board has been designated as the entity to make application to the EPA for CWSRF Capitalization Grants relating to the CWSRF program, and has overall responsibility for all financial and technical administration of the CWSRF program and providing financial assistance to eligible political subdivisions for eligible projects.

DWSRF Program. In 1997, legislation was adopted in the State establishing a program to comply with the state revolving fund requirements set forth in the Federal Drinking Water Act. State law (codified in Subchapter J of Chapter 15 of the Texas Water Code), established the DWSRF to implement the 1996 amendments to the Federal Drinking Water Act. This legislation designates the Board as the state instrumentality to apply for and administer

DWSRF Capitalization Grants that are available through the Federal Drinking Water Act. Projects which are eligible to be financed through the DWSRF are generally limited to drinking water system improvements and refinancing debt incurred for qualifying drinking water system improvements.

The DWSRF is permanent and perpetual, and is not subject to fiscal year limitations. The Board has been designated as the entity to make application to the EPA for DWSRF Capitalization Grants relating to the DWSRF program, and has overall responsibility for all financial and technical administration of the DWSRF program and providing financial assistance to eligible borrowers for eligible projects.

As of December 31, 2017, the Board has received the following Federal Capitalization Grants, including grant funds received under the American Recovery and Reinvestment Act of 2009, and funded the required State Match contributions:

	<u>CWSRF</u>	<u>DWSRF</u>	<u>Total</u>
Capitalization Grants, net of transfers	\$ 2,248,841,141	\$ 1,384,469,350	\$ 3,633,310,491
State Match	<u>393,943,856</u>	<u>264,765,925</u>	<u>658,709,781</u>
Total	<u>\$ 2,570,067,397</u>	<u>\$ 1,577,727,275</u>	<u>\$ 4,147,794,672</u>
 G.O. State Match Bonds Outstanding	 \$ 145,026,046	 \$ 102,940,535	 \$ 247,966,581

Availability of Federal Capitalization Grants

The federal government authorized appropriations for CWSRF Capitalization Grant funds in federal fiscal years 1989 through 1994 under the Federal Clean Water Act to enable states to establish and capitalize their state revolving funds. Although appropriations under the Federal Clean Water Act expired in 1994, Congress has continued to appropriate funds for Federal Capitalization Grants through federal fiscal year 2017 by means of budgetary appropriation. No assurances can be given that Congress will continue to appropriate funds for Federal Capitalization Grants after federal fiscal year 2017 or that any such grants will be deposited into either the CWSRF or the DWSRF. If federal financial support ceases, it is anticipated that state revolving funds such as the CWSRF and the DWSRF will be maintained by non-federal sources of funding including Repayments on Political Subdivision Bonds.

Agreements with and Requirements of EPA

Federal Capitalization Grant Agreements. In connection with the receipt of Federal Capitalization Grants, the Board has entered into a series of annual agreements with the EPA. The agreements set forth the objectives of the SRFs and any specific program requirements. The agreements also set forth the responsibilities of the Board which include the management of the financial aspects of the SRFs, the environmental and project construction aspects of the SRFs. Annually, the Board prepares an Intended Use Plan (“IUP”) that describes how program funds are expected to be used to support the overall goals of the programs and includes projects the Board expects to finance from the SRFs. The EPA conducts annual performance reviews of the SRFs to ensure compliance with EPA guidelines and future state eligibility for Federal Capitalization Grants. The Board periodically submits various reports and documentation for review by the EPA.

CWSRF Capitalization Grants or DWSRF Capitalization Grants are provided to the Board through payments made to the Board’s account on the EPA’s Automated Clearing House Payment System. In accordance with the requirements of the current annual agreement between the Board and EPA, in order to receive CWSRF Capitalization Grants or DWSRF Capitalization Grants, the State will, by Board resolution, make a binding commitment to deposit from lawfully available sources the required state match of 20 percent of the capitalization grant payment on or before the time the payment is received.

Equivalency (“Crosscutter”) Requirements. There are a number of federal laws, executive orders, and federal policies that apply to projects and activities receiving federal financial assistance, regardless of whether the federal laws authorizing the assistance make them applicable. These federal authorities related to the environment, social policies, and economic policies are referred to as cross-cutting authorities or crosscutters. Crosscutters (the

“Crosscutter Requirements”) apply to all equivalency projects and activities assisted with CWSRF funds. The federal anti-discrimination laws, however, apply to all projects. The Board designates a group of projects elected to follow Crosscutter Requirements, in an amount not less than the Federal Capitalization Grants received, as the case may be, in order to comply with the federal requirements. Projects funded from the CWSRF and the DWSRF that are subject to the Crosscutter Requirements are referred to by the Board as equivalency projects and Political Subdivision Bonds for equivalency projects currently receive lower interest rates.

Non-Equivalency Project Requirements. All other CWSRF funded projects (Non-Equivalency) are required to be developed in accordance with certain EPA guidelines and state law regarding financial, engineering and other construction practices that are similar to the requirements a project seeking funding in the public market would experience.

Priority System

All projects are evaluated by the Board and determined to be eligible for program funding. The Board determines the projects that will receive various funding and interest rate options based on criteria established annually in the programs’ annual IUP. An initial group of projects, based on rank order, is invited to submit applications. These projects would fulfill the program requirements and goals of the CWSRF and DWSRF, such as providing additional subsidization and meeting reserve requirements. For subsequent invitations, applications are accepted on a “first-come-first-served” basis, and projects may be added to the IUP later in the fiscal year.

Additional Subsidies

The annual Federal Capitalization Grant may require that an additional subsidy be provided to eligible borrowers. Currently, the Board has elected to provide this additional subsidy in the form of principal forgiveness. For CWSRF and DWSRF programs, both the maximum permissible amount and any minimum required amount of additional subsidy to be provided is established in the authorizing statutes and the annual federal appropriations act. In order to meet the additional subsidy requirement, the Board offers opportunities for principal forgiveness. The CWSRF program currently offers principal forgiveness for Disadvantaged Communities, Green projects, and Emergency Relief projects. The DWSRF programs offers principal forgiveness for Disadvantaged Communities, Green projects, Very Small Systems, and Urgent Need projects

Composition of Political Subdivision Bonds

The particular Political Subdivision Bonds acquired by the Board and held within the CWSRF and the DWSRF will vary. No assurances can be given that the profile of Political Subdivision Bonds at any time in the future will remain similar to that at the time of issuance of the Series 2018 Bonds. See “Appendix D - SUMMARY OF POLITICAL SUBDIVISION BONDS” for a description of the Political Subdivision Bonds owned by the Board as of August 31, 2017. The Board does not require the political subdivision to obtain a rating from a rating agency for the Political Subdivision Bonds to be eligible for purchase by the Board.

Procedures for Purchase of Political Subdivision Bonds

Project review and recommendation for approval is conducted by teams that include engineers, project managers, financial analysts, environmental review staff, attorneys and other technical staff. In addition, Board support staff observe the progress of the projects.

During submission of an application for funding, prospective applicants must submit preliminary engineering and environmental documentation which will identify the potential environmental impacts known at that time, engineering feasibility, and eligibility of the project as well as the project’s ability to conform with State requirements for design and wastewater treatment operations. The application documents will also demonstrate how State and federal loan program requirements and other applicable State and federal requirements will be satisfied during the design and construction of the project. Additionally, the financial analysts review the application and evaluate the financial, economic and demographic conditions of the applicant to evaluate the ability of the applicant to repay the loan. This review and evaluation is incorporated into a recommendation prepared by the staff and presented to the Board for consideration.

Upon Board approval, a loan commitment is offered by the Board to the eligible borrower which obligates the Board to purchase Political Subdivision Bonds upon compliance with various requirements as outlined in the commitment letter by the Board and upon the availability of funds by the Board.

Under Board rules, an eligible borrower may be required to execute a “financing agreement” prior to the pricing in the public debt markets of bonds to be sold by the Board. Such financing agreements include performance obligations on the part of the eligible borrower and the Board provisions to allow for the cancellation by the eligible borrower; compensation to the Board for any costs and loan origination risks assumed by the Board; and conditions under which the Executive Administrator may extend or cancel the financing agreement.

Attorney General Approval of Political Subdivision Bonds

Prior to purchasing Political Subdivision Bonds pledged as security for the SRF Bonds, the office of the General Counsel for the Board must review and approve all legal instruments relating to the project. Additionally, the Board may not purchase Political Subdivision Bonds unless the Political Subdivision Bonds have been reviewed for legality by the Attorney General of the State. The Board also receives an approving opinion from a nationally recognized bond counsel. Upon approval by the Attorney General of the State, registration by the Comptroller of Public Accounts of the State and purchase by and delivery to the Board, the Political Subdivision Bonds issued by the Political Subdivision are valid, binding and incontestable against a statutory challenge, as provided by the Texas Water Code.

The Board’s Regional Water Project Development teams monitor the construction of all projects to ensure that projects are built in accordance with the approved plans and specifications and in conformity with state and federal requirements. The Board’s Financial compliance staff monitors all eligible borrowers in order to ensure that each complies with its bond resolution and finance-related covenants and regulations including such matters as (a) authorized uses of bond proceeds, (b) flow of funds required by bond documents, (c) auditing and financial reporting, (d) ongoing financial stability and solvency and (e) system insurance coverage.

Political Subdivision Bond Rates Below Bond Rate

The interest rate charged to each Political Subdivision will be determined in accordance with the rules of the Board which may be subject to change from time to time (see “Lending Policy and Terms of Political Subdivision Bonds,” below) and the annual IUP. The interest rate on SRF Bonds (including the Series 2018 Bonds) may affect the interest rate subsidy the Board establishes each year under various funding options specified in the IUP. In the event the Board has insufficient funds to pay principal or interest on the Series 2018 Bonds, Political Subdivisions are not required to pay amounts in excess of the interest rate on the Political Subdivision Bonds purchased by the Board. In particular, Political Subdivisions are not required to make up revenue shortfalls of the Board resulting from payment defaults of other Political Subdivisions or from insufficient investment earnings.

Credit of Eligible Borrowers

Some eligible borrowers may not have or may not be able to obtain ratings on their outstanding debt obligations. Eligible borrowers need not have ratings or obtain credit ratings on their Political Subdivision Bonds purchased by the Board. In some instances, the Political Subdivision’s authorization of the of the Political Subdivision Bonds reserve the right to issue obligations with a lien on the security pledged prior to the lien supporting the Political Subdivision Bonds purchased by the Board. A number of specific and general conditions may adversely affect the ability of eligible borrowers to repay their loan. An economic downturn or recession may adversely affect a eligible borrower’s ability to generate revenues from one or all sources securing its Political Subdivision Bonds including, without limitation, property taxes.

Lending Policy and Terms of Political Subdivision Bonds

The Board establishes the financial terms and conditions of Political Subdivision Bonds, including the type of obligation purchased. The Board may consider any relevant factors in establishing the terms and conditions, including the credit worthiness of the eligible borrowers. The Board must determine that an eligible borrower has the ability to repay the debt service on the entity’s Bonds. For the CWSRF program, in accordance with the Federal Clean

Water Act and the Board's rules, the maximum term is 30 years, provided it does not exceed the projected useful life of the project. For the DWSRF program, in accordance with the Federal Drinking Water Act and the Board's rules, the maximum term is 30 years from project completion, provided it does not exceed the expected design life for disadvantaged community loans or the useful life of the underlying asset for Purchased Political Subdivision Bonds. Pursuant to the Federal Clean Water Act, Federal Drinking Water Act and the SRF Act, the Board can initiate PSBs at or below market interest rates, including interest-free Political Subdivision Bonds.

The Board offers Eligible Borrowers a fixed rate of interest on Political Subdivision Bonds purchased. Fixed interest rates for the CWSRF program Political Subdivision Bonds under the State Fiscal Year 2018 Intended Use Plan are calculated at 165 basis points (1.65%) lower than the Eligible Borrowers' alternative cost of funds if the Eligible Borrowers is complying with the Crosscutter Requirements (Equivalency projects) and 130 basis points (1.30%) lower than the Eligible Borrowers' alternative cost of funds if the Eligible Borrower is not complying with the Crosscutter Requirements (Non-Equivalency projects). Fixed interest rates for the DWSRF program Political Subdivision Bonds under the State Fiscal Year 2018 Intended Use Plan are calculated at 135 basis points (1.35%) lower than the Eligible Borrowers' alternative cost of funds. See "Agreements with and Requirements of EPA - Non-Equivalency Project Requirements" and "Equivalency ("Crosscutter") Requirements" herein. Eligible Borrowers' alternative cost of funds is calculated based on the market pricing for the type of security the Eligible Borrowers is providing to the Board and the rating of the Political Subdivision Bond. See "Political Subdivision Bonds" herein for more information on the different types of security pledges accepted by the Board. This aspect of the interest rate policy is intended to provide a subsidy level that is equitable across a range of credit profiles. The Board's interest rate policy is subject to change by the Board.

Political Subdivision Bonds

Pursuant to the Texas Water Code, Political Subdivision Bonds purchased by the Board can be payable from a pledge of ad valorem taxes, wastewater system net revenues, net revenues of a combined water and sewer system or any combination of pledges of taxes, assessments and/or utility system(s) (including gas or electric) revenues. The Board has purchased some Political Subdivision Bonds, the security of which has a lien on and pledge of revenues subordinate to outstanding and future debt of the Political Subdivision. The Board anticipates continuing its practice of purchasing Political Subdivision Bonds with a subordinate lien pledge. For Political Subdivision Bonds payable solely from revenues, including those with subordinate lien revenue pledges, the Board generally requires a reserve fund of one year's average annual debt service and a coverage test to be met for the issuance of any additional bonds.

The Board also requires each Eligible Borrower to maintain adequate insurance coverage on the project being constructed and to provide annual audited financial statements. The Board continually monitors the portfolio for delinquent accounts. If a payment is three days late, the collection process begins with calls to the Eligible Borrower and/or paying agent bank. Negotiations continue daily until the payment is collected. No late bond payments have exceeded 37 days past the scheduled due date. Most late payments fall in the three to ten day range. To date, there have been no payment defaults on the Pledged Political Subdivision Bonds currently on deposit in the DWSRF Portfolio Account or on deposit within the CWSRF Master Resolution.

Currently, the Political Subdivision Bonds held within the CWSRF Portfolio Account and the DWSRF Portfolio Account include a range of credits. Below is a description of four categories of the security pledges of the Political Subdivision Bonds held within the CWSRF Portfolio Account and the DWSRF Portfolio Account. Political Subdivisions need not have ratings or obtain credit ratings on Political Subdivision Bonds purchased by the Board. See "Appendix D – SUMMARY OF POLITICAL SUBDIVISION BONDS."

General Obligations. When a Political Subdivision issues a general obligation, its full faith and credit are pledged to secure payment when due of the principal of and interest on the obligation. State law requires the Eligible Borrower to levy taxes that will be collected in amounts and at the times sufficient to make debt service payments. If the Eligible Borrower fails to make a payment when due, the owner of a general obligation, such as the Board, can bring suit for mandamus to require the tax levy to be collected and applied to debt service. General obligations typically require voter approval.

The tax levy described above may be limited depending upon the type of Eligible Borrower issuing the general obligations. Water districts, including municipal utility districts, operating pursuant to Article XVI, Section

59 of the Texas Constitution are authorized to issue bonds payable from ad valorem taxes unlimited as to rate or amount. However, general obligation bonds issued by municipalities are payable from a limited ad valorem tax.

Municipalities which operate pursuant to the home rule charter provisions of Article XI, Section 5 of the Texas Constitution are limited to a tax rate of not to exceed \$2.50 per \$100 assessed valuation for all municipal purposes, including the payment of debt service on bonds. The home rule charter approved by the voters of the municipalities may, and often does, provide for a lower tax rate limitation. There are requirements set forth in Article XI, Section 5 of the Texas Constitution which must be satisfied in order for a municipality to be eligible to seek home rule status including a requirement that a municipality contain a population of more than 5,000 inhabitants and that the municipality hold an election at which a majority of the voters approve adoption of a home rule charter. A type A general law municipality with a population of 5,000 or less is limited to a tax rate of not to exceed \$1.50 per \$100 assessed valuation for all municipal purposes; provided, however, under certain circumstances a tax rate not to exceed \$0.25 per \$100 assessed valuation may be imposed. A type A general law municipality with a population of 5,000 or more is limited to a tax rate of not to exceed \$2.50 per \$100 assessed valuation for all municipal purposes.

Revenue Obligations. When an Eligible Borrower issues a revenue obligation, the obligation is a limited obligation payable solely from the revenues that are specifically pledged. Revenue bonds are not a debt of the issuer, but solely a charge upon the properties of the systems so encumbered. The holder of such revenue bonds does not have the right to demand payment out of any funds raised or to be raised by taxation.

Municipalities, including home rule and general law municipalities, are authorized pursuant to Chapter 1502, Texas Government Code, as amended, to issue bonds payable from the revenues of their electric system, water system, sewer system or sanitary disposal equipment and appliances or natural gas system, parks and or swimming pools, either or all such systems. The expenses of operation and maintenance of the system, including, without limitation, all salaries, labor, materials, interest, repairs and extensions necessary to render efficient service is a first lien against the revenues of such systems. Pursuant to state law, municipalities must charge and collect a rate sufficient to pay all operating, maintenance, depreciation, replacement, betterment, interest charges and all debt service requirements relating to such system.

Combination General Obligation and Revenue Obligations. Combination General Obligation and Revenue Obligations, which may be in the form of bonds or certificates of obligation, are payable from a combination of ad valorem property taxes, with the same tax rate limitations as discussed above under “General Obligations,” and revenues from various types of systems such as waterworks, sewer, gas and electric or any combination thereof as authorized pursuant to Chapter 1502, Texas Government Code and as discussed above under “Revenue Obligations.” The revenue pledge may be limited to surplus revenues only or may include all net revenues after the payment of necessary operation and maintenance expenses.

Contract Revenue Bonds. When an Eligible Borrower issues Contract Revenue Bonds, the bonds are a limited obligation payable solely from the payments to be received pursuant to a contract. Certain Eligible Borrowers are authorized pursuant to State law to issue bonds payable from contract payments due from the beneficiary of the facilities constructed with the proceeds of the bonds issued. In the instance of the CWSRF and DWSRF, a municipality is typically the contracting party which is responsible for debt service payments on the bonds. Generally such contract payments are payable as an operation and maintenance expense of a municipality’s waterworks and sewer system and therefore have a first lien on the revenues of such systems and are paid prior to paying debt service on any obligations of a municipality payable from the same type of revenue pledge.

As of the date of this Official Statement, there are no Significant Borrowers.

SRF Administration Costs

CWSRF

Pursuant to the current provisions of the Federal Clean Water Act, the maximum annual amount of the CWSRF (not including any fees collected that are placed in the CWSRF) that may be used to cover the reasonable costs of administering the fund is the greatest of the following: 1. an amount equal to four percent of all CWSRF Capitalization Grants received by the Board less any amounts that have been used in previous years to cover administrative expenses; 2. \$400,000; or 3. one-fifth of one percent of the current valuation of the CWSRF. The

current Board policy on origination fees for funding provided pursuant to the State Fiscal Year 2018 IUP assesses a one-time fee of 175 basis points (1.75%) of the CWSRF loan amount, not including the amount of the loan origination fee. An origination fee is not assessed on the principal forgiveness amount.

In 1995, the Texas Legislature passed legislation authorizing the Board to charge Eligible Borrowers seeking financial assistance from the CWSRF an origination fee and an annual fee. This legislation also authorized the Board to establish a fund (the “CWSRF Administrative Cost Recovery Fund”) to finance the costs of administration of the CWSRF. The CWSRF Administrative Cost Recovery Fund must be held outside the State Treasury and separate from the CWSRF. The Board must use money deposited to the credit of the CWSRF Administrative Cost Recovery Fund to pay the Board’s costs of administering the CWSRF, including the cost of servicing debt obligations of Eligible Borrowers funded from the CWSRF. The Board may transfer moneys on deposit in the CWSRF Administrative Cost Recovery Fund to the CWSRF to the extent necessary to prevent a default in the payment of debt service on SRF Bonds or Subordinate Obligations. Moneys so transferred, however, shall not constitute Pledged Revenues under the Resolution.

In December 2006, the Board established the Expense Account within the CWSRF to hold moneys derived from CWSRF Capitalization Grants that will be used to pay costs of operating and administering the CWSRF (“Operating Expenses of the CWSRF”). The Master Resolution creates the CWSRF Expense Account. The CWSRF Expense Account is held by the Comptroller outside the State Treasury, separate and apart from all other funds and accounts of the Comptroller, including the other accounts within the CWSRF. The Board may transfer CWSRF Capitalization Grant funds to the CWSRF Expense Account in an amount allowable under law. Such transfers will be made no later than the last Business Day of each month in an amount not to exceed the amounts permitted under the Federal Clean Water Act. Moneys in the CWSRF Expense Account may be used for the purpose of paying Operating Expenses of the CWSRF.

In the federal fiscal year 2002 Appropriations Act, legislation was enacted to allow loan origination and servicing fees (the “fees”) collected from Political Subdivisions and funded by CWSRF loan proceeds to be excluded from the amount eligible for administration of the CWSRF program under the Federal Act. Federal appropriations have continued to allow this exclusion. If future legislation is not enacted to allow the fees to be funded from CWSRF loan proceeds without counting against the administrative amounts of the CWSRF, then it is anticipated that the Board will require Political Subdivisions to pay the fees from sources other than CWSRF loan proceeds.

DWSRF

Pursuant to the current provisions of the Federal Drinking Water Act, the maximum annual amount of the DWSRF that may be used to cover the reasonable costs of administering the fund, and to provide technical assistance to public water systems, is the amount of any fees collected by the State, regardless of the source; and the greatest of (1) \$400,000, (2) one-fifth of one percent of the current valuation of the DWSRF, and (3) an amount equal to four percent of all grant awards to the DWSRF. The current Board policy on origination fees for funding provided pursuant to the State Fiscal Year 2018 IUP assesses a one-time fee of 215 basis points (2.15%) of the DWSRF loan amount, not including the amount of the loan origination fee. An origination fee is not assessed on the principal forgiveness amount.

In 1995, the Texas Legislature passed legislation authorizing the Board to charge Eligible Borrowers seeking financial assistance from the DWSRF an origination fee and an annual fee. This legislation also authorized the Board to establish a fund (the “Administrative Cost Recovery Fund”) to finance the costs of administration of the DWSRF. The Administrative Cost Recovery Fund must be held outside the State Treasury and separate from the DWSRF. The Board must use money deposited to the credit of the Administrative Cost Recovery Fund to pay the Board’s costs of administering the DWSRF, including the cost of servicing debt obligations of Eligible Borrowers funded from the CWSRF. The Board may transfer moneys on deposit in the Administrative Cost Recovery Fund to the DWSRF to the extent necessary to prevent a default in the payment of debt service on the Bonds or Subordinate Obligations. Moneys so transferred, however, shall not constitute Pledged Revenues under the Resolution.

In December 2006, the Board established the Expense Account within the DWSRF to hold moneys derived from DWSRF Capitalization Grants that will be used to pay costs of operating and administering the DWSRF (“Operating Expenses of the DWSRF”). The Master Resolution creates the DWSRF Expense Account. The DWSRF

Expense Account is held by the Comptroller outside the State Treasury, separate and apart from all other funds and accounts of the Comptroller, including the other accounts within the DWSRF. The Board may transfer DWSRF Capitalization Grant funds to the DWSRF Expense Account in an amount allowable under law. Such transfers will be made no later than the last Business Day of each month in an amount not to exceed the amounts permitted under the Federal Drinking Water Act. Moneys in the DWSRF Expense Account may be used for the purpose of paying Operating Expenses of the DWSRF.

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APPENDIX C

**INFORMATION REGARDING THE
TEXAS WATER DEVELOPMENT BOARD**

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TEXAS WATER DEVELOPMENT BOARD

History

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 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 ("EDAP").

Since 1957, the Legislature and the voters of the State have approved constitutional amendments increasing the Board's bond issuance authority and authorized funding purposes, such that under the various Sections in Article III of the State Constitution (Sections 49-c, 49-d, 49-d-1, 49-d-2, 49-d-5, 49-d-6 and 49-d-7, referred to herein as the "Development Fund I Constitutional Provisions"), the Board was authorized to issue up to \$2.48 billion in Water Development Bonds to augment the Texas Water Development Fund ("Development Fund I"). Pursuant to such authorization, the Board issued \$1,467,190,000 of Water Development Bonds. Development Fund II ("Development Fund II") was established pursuant to Section 49-d-8, which was approved by the voters of the State on November 4, 1997. Development Fund II is a fund in the State Treasury separate and legally distinct from Development Fund I. All of the liabilities and assets formerly held in the Texas Water Development Fund I have been transferred to Development Fund II. Since Section 49-d-8 consolidates the separate bond issuance authorities contained in the Development Fund I Constitutional Provisions and provides a more efficient cash flow for Development Fund II than exists for Development Fund I, the Board does not currently intend, but reserves the right, to issue additional Water Development Bonds pursuant to the Development Fund I Constitutional Provisions.

Organizational Structure

In addition to its constitutional and statutory responsibilities in providing and administering Development Fund II and other financial programs, the Board is responsible for establishing policy in connection with the grants program administered by the EPA. The Board also is responsible for administering the State Water Implementation Fund for Texas ("SWIFT") and the issuance of revenue bonds through the State Water Implementation Revenue Fund for Texas ("SWIRFT") to provide financial assistance to political subdivisions in implementing the State Water Plan. The Board is primarily responsible for the State's financial programs associated with the water and wastewater industry including the establishment of policy for the financial programs and the employment of an Executive Administrator.

Board Members

The Board is composed of three full-time members who are appointed by the Governor and confirmed by the Texas Senate, and will serve staggered six-year terms. A person appointed to the Board may not serve for more than two six-year terms. In accordance with state law, the Board must appoint the executive administrator of the Board.

The Board meets at least monthly in Austin and holds additional meetings as needed. The Board considers financial assistance applications from eligible applicants, awards grants for water-related research and planning, and conducts other Board business, such as approving the State Water Plan.

The members of the Board currently are:

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

Kathleen Jackson, Member. Appointed to the Board by Governor Rick Perry effective March 18, 2014, and reappointed to a new term by Governor Greg Abbott on March 9, 2017. Ms. Jackson has a diverse background representing agricultural, environmental, industrial and wholesale-supply interests, which includes developing and implementing water management strategies for Southeast Texas. As a registered professional engineer, Ms. Jackson served as public affairs manager for one of the world's largest petroleum and petrochemical producers. Additionally, she was involved in production agriculture with her late husband, who ran a cattle operation and farmed rice. She served as a past member of the Lower Neches Valley Authority Board of Directors, the Texas Water Conservation Association, and participated on the Sabine and Neches Rivers Bay and Estuary Environmental Flows Assessment Program Stakeholders Committee. She is also a board member and past president of the Lamar Institute of Technology Foundation, a sustaining member of the Junior League of Beaumont, a member of the Texas Farm Bureau, past president of the American Cancer Society of North Jefferson County, and a past board member of Junior Achievement of the Golden Triangle. Ms. Jackson received a bachelor's degree in chemical engineering from North Carolina State University. Ms. Jackson's term expires February 1, 2023.

Brooke Paup, Member. Appointed to the Board by Governor Greg Abbott, effective February 22, 2018. Ms. Paup most recently served as the Director of Legislative Affairs for the Texas Comptroller of Public Accounts and is formerly the Deputy Division Chief of Intergovernmental Relations for the Office of the Attorney General. While with the Office of the Attorney General, Ms. Paup was a Special Assistant for Policy and Research on public finance and legislative and special litigation issues, including the SWIFT and SWIRFT. Ms. Paup is a member of the Texas State Bar and holds a Juris Doctorate from Texas Tech School of Law and is an alumna of Texas A&M University with a Bachelor's of Arts degree. Ms. Paup has been appointed for a term set to expire February 1, 2019.

Key Staff Members

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

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

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

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

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

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

Financial Assistance Programs other than the CWSRF and DWSRF Programs

Below is a brief summary of additional financial assistance programs, other than CWSRF and DWSRF, administered by the Board and funded with general revenues or the proceeds of general obligation bonds of the State.

Texas Water Development Funds. Development Fund I and Development Fund II are used to provide loans to eligible applicants for the construction of local or regional water supply, wastewater treatment, flood control and municipal solid waste management projects. These funds are funded through the issuance of general obligation bonds issued by the Board on behalf of the State of Texas pursuant to Sections 49-c, 49-d, 49-d-1, 49-d-2, 49-d-5, 49-d-6, 49-d-7, 49-d-8, 49-d-9, 49-d-10, and 49-d-11 of Article III of the Texas Constitution. Development Fund I is no longer active, and the Board has no current intention to issue bonds to augment Development Fund I. The Board has established the following major accounts within Development Fund II: the EDAP Account, the Financial Assistance Account, and the State Participation Account. The Board has also established the EDAP Bond Payment Account, the Financial Assistance Bond Payment Account, the State Participation Bond Payment Account, and other accounts (including specifically the Water Infrastructure Fund Bond Payment Account) necessary for the proper administration of Development Fund II, as determined by the Board.

Water Assistance Fund. The Water Assistance Fund is funded through appropriations made by the Legislature, and provides grants and loans at an interest rate set by Board rule to eligible political entities for water supply and treatment projects, wastewater treatment projects, flood control projects, purchasing an interest in reservoirs and providing grants up to 100% of funding for water research, and matching grants for flood protection and regional water supply and wastewater feasibility planning.

Water Infrastructure Fund. In 2001, the Legislature added provisions to Chapter 15 of the Texas Water Code creating the Water Infrastructure Fund in furtherance of the public purpose of conserving and developing the water resources of the State. The Water Infrastructure Fund may be used (i) to make loans to political subdivisions for

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

The Board may direct the Comptroller to transfer amounts to the Water Infrastructure Fund to provide financial assistance under the Texas Water Code for the purposes provided in Subchapter Q, specifically for the uses described above, as listed in Section 15.974, Texas Water Code, as amended. Subchapter Q further provides that the Water Infrastructure Fund may be used as a source of revenue for the repayment of debt service on “Financial Assistance Bonds,” the proceeds of which have been deposited into the Water Infrastructure Fund.

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

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

Texas 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.

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 2002. Thereafter, the Board has been responsible for preparing, developing, formulating and adopting a State Water Plan before the end of each successive five-year period. For purposes of developing the State Water Plan, the State is divided into 16 regional water planning areas. Each regional water planning group for each regional water planning area must prepare a regional water plan and submit the plan to the Board for approval. Upon adoption of the State Water Plan, the Board is required to deliver the State Water Plan to the Governor, the Lieutenant Governor and the Speaker of the Texas House of Representatives, and present the adopted State Water Plan for review to the appropriate legislative committees in the Legislature. The 2017 State Water Plan was adopted by the Board on May 19, 2016. The 2017 State Water Plan is available on the website of the Board, at <http://www.twdb.texas.gov/waterplanning/swp/2017/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 Texas Comptroller of Public Accounts 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 November 30, 2017, \$315,334,881 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.

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

from SWIRFT; money from the sale, transfer, or lease of a project acquired, constructed, reconstructed, developed, or enlarged with money from SWIRFT; and money disbursed to SWIRFT from SWIFT.

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

As of November 30, 2017, the Board has issued five series of SWIRFT revenue bonds, aggregating \$2,476,380,000 in principal amount.

Separate Issuance of SWIRFT Revenue Bonds. Concurrently with the offering and sale of the New Series 2018 Bonds, the Board expects to offer and sell certain State Water Implementation Revenue Fund for Texas Revenue Bonds (the “2018A SWIRFT Bonds”) in April 2018 pursuant to a separate resolution of the Board and separate Official Statement. See “APPENDIX C—TEXAS WATER DEVELOPMENT BOARD—Financial Assistance Programs other than the CWSRF and DWSRF Programs.” The 2018A SWIRFT Bonds are not being offered pursuant to this Official Statement. The Series 2018 Bonds and the 2018A SWIRFT Bonds are each separate and distinct securities offerings, are being sold independently, and have different features, including the security for each obligation. Holders of the Series 2018 Bonds will have no rights to the proceeds of the 2018A SWIRFT Bonds or the property pledged as security for the payment thereof, and holders of the 2018A SWIRFT Bonds will have no rights to the proceeds of the Series 2018 Bonds or the property pledged as security for the payment thereof.

Sunset Review of the Board

The Board is subject to review, but not abolishment, under the Texas Sunset Act, Chapter 325, Texas Government Code (the “Sunset Act”), by the Sunset Advisory Commission (the “Commission”). The Board was most recently reviewed in 2011 and is subject to review every 12th year thereafter. The Legislature, however, is not prohibited from considering legislation addressing the programs performed by the Board prior to such date. Pursuant to the Sunset Act, the Commission is required to make recommendations to the Legislature regarding the reorganization, consolidation or transfer of programs administered by the Board. The Sunset Act further prohibits the Legislature from enacting legislation which would in any way affect the Board’s continuing obligations, including those to the holders of SRF Bonds, including the Series 2018 Bonds.

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APPENDIX D

SUMMARY OF POLITICAL SUBDIVISION BONDS

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**SUMMARY OF POLITICAL SUBDIVISION BONDS
AS OF AUGUST 31, 2017**

The Political Subdivision Bonds listed under the heading CWSRF Political Subdivision Bonds are held in the Portfolio Account created under the CWSRF Master Resolution, and will be held in such account until such time as the obligations currently secured by those CWSRF Political Subdivision Bonds are no longer outstanding. See “INTRODUCTION – CWSRF Master Resolution Closure.” Excess revenues generated from the Repayments of the Political Subdivision Bonds listed under the heading CWSRF Political Subdivision Bonds not needed to pay debt service on the obligations outstanding under the terms of the CWSRF Master Resolution will be transferred into the CWSRF Revenue Account created under the Master Resolution adopted by the Board on March 1, 2018 and will be Security for the SRF Bonds, available to make debt service payments on the Series 2018 Bonds. The Political Subdivision Bonds listed under the heading DWSRF Political Subdivision Bonds will be deposited to the credit of the DWSRF Portfolio Account created by the Master Resolution adopted by the Board on March 1, 2018, and Repayments of the Political Subdivision Bonds listed under the heading DWSRF Political Subdivision Bonds will be Security for the SRF Bonds, available to make debt service payments on the Series 2018 Bonds.

CLEAN WATER STATE REVOLVING FUND POLITICAL SUBDIVISION BONDS SUMMARY

POLITICAL SUBDIVISION	BOND DESCRIPTION	OUTSTANDING BALANCE	FINAL MATURITY
Acton MUD	UTIL SYST REV BONDS SRS 2017	\$550,000	5/1/2028
Agua SUD	WW & SS REV BONDS SRS 2014A	\$2,310,000	8/1/2044
Agua SUD	WW & SS REV BOND SRS 2015	\$8,150,000	8/1/2045
Alamo	WWKS & SS REV BONDS SRS 2007	\$2,345,000	3/1/2027
Alamo	WWKS & SS REV BONDS SRS 2017	\$1,000,000	3/1/2037
Aledo	TAX & WWKS & SS SURP REV CO SRS 2009	\$620,000	8/15/2042
Aledo	TAX & WWKS & SS SURP REV CO SRS 2010A	\$1,900,000	8/15/2042
Aledo	TAX & WWKS & SS SURP REV CO SRS 2011A	\$3,020,000	8/15/2042
Aledo	TAX & WWKS & SS SURP REV CO SRS 2012	\$1,675,000	8/15/2042
Alice	COMB TAX & SUR REV CO SRS 2009	\$3,507,000	2/1/2041
Alice	COMB TAX & SURP REV CO SRS 2010	\$1,694,000	2/1/2041
Alton	COMB TAX & REV CO SRS 2017	\$500,000	8/15/2047
Alvord	TAX & WWKS & SS REV COS SRS 2004A	\$165,000	10/1/2023
Amarillo	WW & SS REV BONDS SRSS 2014	\$6,930,000	4/1/2033
Anahuac	COMB TAX & REV CO SRS 2017B	\$11,440,000	10/15/2047
Angelina & Neches RA	CONTRACT REV BONDS SRS 2014	\$165,000	10/1/2024
Angelina & Neches RA	CONTRACT REV BONDS SRS 2016	\$1,820,000	10/1/2045
Anthony	COMB TAX & SRPLS REV CO SRS 2009A	\$3,520,000	8/15/2039
Aqua WSC	LOAN SUPPORTED BY A LOAN AGREEMENT	\$38,130	3/15/2024
Aransas Pass	COMB TAX & SUBORDINATE LIEN REV CO SRS 2005	\$535,000	2/1/2025
Arcola	COMB TAX & REV CO SRS 2008A	\$1,130,000	3/1/2038
Arlington	W&WW REV BONDS SRS 2010	\$9,025,000	6/1/2030
Arlington	W & WW SYS REV BONDS SRS 2014	\$2,905,000	6/1/2034
Arlington	W & WW SYS REV BONDS SRS 2016	\$1,975,000	6/1/2036
Arlington	W & WW SYS REV BONDS SRS 2017	\$4,775,000	6/1/2036
Austin	W & WWS REV BONDS SRS 2010	\$26,505,000	11/15/2041
Azle	WWKS & SS REV BONDS SRS 2010	\$10,285,000	2/1/2030
Bacliff MUD	UNLIMITED TAX BONDS SRS 2002	\$2,000,000	9/1/2023
Bacliff MUD	UNLIMITED TAX BONDS SRS 2004	\$2,510,000	9/1/2025
Bedford	COMB TAX & REV CO SRS 2012	\$480,000	2/1/2032
Bell Co WCID # 2	UTIL SYST REV BONDS SRS 2008	\$775,000	9/1/2029
Bells	COMB TAX & REV CO SRS 1997 A	\$10,000	2/15/2018

POLITICAL SUBDIVISION	BOND DESCRIPTION	OUTSTANDING BALANCE	FINAL MATURITY
Blossom	TAX & UTILITY SYST REV COS SRS 1999	\$40,000	1/1/2019
Bonham	COMB TAX & REV CO SRS 2005A	\$740,000	2/15/2026
Bonham	COMB TAX & SURP REV CO SRS 2016	\$3,800,000	2/15/2046
Brady	COMB TAX & SRPLS WSTWTR & ELEC SYS REV CO SRS 2012	\$980,000	9/1/2024
Breckenridge	COMB TAX & SRPLS REV CERT OF OBLG SRS 2013	\$765,000	3/15/2044
Bridgeport	COMB TAX & REV CO SRS 2003	\$655,000	8/15/2022
Brownsboro	COMB TAX & REV CO SRS 2004	\$285,000	8/15/2024
Bryan	W & SS REV BONDS SRS 2009B	\$285,000	7/1/2019
Bryan	WW & SS REV BONDS NEW SRS 2011	\$13,580,000	7/1/2030
Buffalo Gap	COMB TAX & REV CO SRS 2011	\$350,000	11/15/2041
Burnet	COMB TAX & REV CO SRS 2010	\$9,055,000	2/1/2040
Burnet	COMB TAX & REV CO SRS 2012	\$8,520,000	2/1/2042
Caddo Mills	COMBINATION TAX AND SRPLS REV CERT OF OBLG SRS 2012	\$3,970,000	8/15/2041
Cameron	COMB TAX & SURP REV CO SRS 2003A	\$310,000	2/1/2024
Cameron	COMB TAX & SURP REV CO SRS 2004	\$825,000	2/1/2024
Cameron	COMB TAX & SURP REV CO SRS 2016B	\$11,560,000	3/1/2042
Cameron	COMB TAX & SURP REV CO SRS 2012	\$680,000	3/1/2032
Campbell	COMB TAX & REV CO SRS 1997	\$35,000	8/15/2019
Castroville	UTILITY SYS REV BOND SRS 2013A	\$235,000	2/1/2023
Castroville	COMB UTILITY SYS REV BONDS SRS 2015B	\$8,475,000	8/1/2045
Castroville	COMB UTILITY SYS REV BONDS SRS 2015	\$2,750,000	8/1/2035
Celina	TAX & WWKS & SS REV CO SRS 2008	\$705,000	9/1/2020
Center	COMB TAX & WW & SS SUR REV CERT OF OBLG SRS 2012	\$1,850,000	2/15/2035
Cibolo Creek MA	REV BONDS SRS 2002	\$425,000	7/10/2022
Cibolo Creek MA	REV BONDS SRS 2010	\$2,010,000	7/10/2031
Cibolo Creek MA	REV BONDS SRS 2012	\$20,600,000	7/10/2037
Cisco	COMB TAX & SRPLS REV CO SRS 2014	\$340,000	2/15/2024
Cleveland	COMB TAX & REV CO SRS 2009	\$385,000	3/1/2029
Cleveland	COMB TAX & REV CO SRS 2011	\$1,765,000	3/1/2031
Comanche	COMB TAX & SRPLS REV CERT OF OLBG SRS 2013A	\$720,000	9/1/2044
Commerce	CERTIFICATES OF OBLIGATION SRS 2007C	\$1,000,000	8/15/2027
Commerce	COMB TAX & REV CO SRS 2010C	\$2,685,000	2/15/2040
Cotulla	COMB TAX & REV CO SRS 2017A	\$3,350,000	2/1/2047
Cranfills Gap	COMBINATION TAX & REV CO SRS 2001	\$200,000	9/1/2021
Cushing	WW & SS REV BONDS SRS 2014	\$490,000	9/1/2044
Deer Park	WW & SS REV BONDS SRS 2002	\$250,000	3/1/2018
Del Rio	COMB TAX & REV CO SRS 2012A	\$4,485,000	6/1/2042
DeLeon	COMB TAX & REV CO SRS 2009	\$1,390,000	2/15/2029
Dell City	COMB TAX & SRPLS REV CO SRS 2014	\$60,000	2/15/2024
Detroit	WW & SS REV BONDS SRS 2000	\$215,000	7/1/2020
Eagle Pass	WW & SS REV BONDS SRS 2003C	\$2,930,000	12/1/2022
Eagle Pass	WW & SS REV BONDS SRS 2004B	\$35,000	12/1/2023
Early	COMB TAX AND SURP REV COS SRS 2015	\$8,290,000	2/15/2046
East Cedar Creek FWSD	UTILITY SYS REV BONDS SRS 2004	\$725,000	1/1/2025
Eastland	COMB TAX & REV CO SRS 2008A	\$675,000	2/15/2029
Edcouch	WW & SS REV BONDS SRS 2013	\$950,000	1/1/2042
Edinburg	W & SS JR LIEN REV BONDS SRS 2008	\$2,725,000	3/1/2029
El Campo	TAX & SRPL REV CERT OF OBLG SRS 2015	\$120,000	2/1/2025
El Paso	W & SS REV BONDS SRS 2008A	\$11,735,000	3/1/2029

POLITICAL SUBDIVISION	BOND DESCRIPTION	OUTSTANDING BALANCE	FINAL MATURITY
El Paso	W & SS REV BONDS SRS 2008B	\$18,450,000	3/1/2029
El Paso	MUNI UTIL SYST REV BONDS SRS 2009A	\$1,508,000	3/1/2031
Eldorado	COMB TAX & SURP REV CO SRS 2016	\$550,000	8/1/2036
Eldorado	COMB TAX & SRPLS REV CERT OF OBLG SRS 2013A	\$1,020,000	8/1/2035
Eules	WW & SS REV BONDS SRS 2015B	\$2,260,000	7/15/2035
Evadale WCID # 1	TAX & SEWER SYSTEM REV BONDS SRS 2001	\$510,000	7/1/2022
Fairfield	COMB TAX & REV CO SRS 2002	\$1,565,000	9/1/2022
Fort Bend Co FWSD # 1	SANITARY SWR SYST UNLTD TAX BONDS SRS 2006A	\$3,895,000	8/15/2027
Fort Bend Co FWSD # 1	UNLTD TAX BONDS SRS 2010	\$4,540,000	8/15/2039
Fort Worth	W&WW SYST SUBORD LIEN REV BONDS SRS 2007A	\$19,380,000	3/1/2027
Fort Worth	WWKS & SS REV BONDS SRS 2010B	\$19,125,000	2/15/2030
Fort Worth	W & SS REV BONDS SRS 2015	\$35,330,000	2/15/2035
Fort Worth	WATER & SS REV BONDS SRS 2017	\$16,045,000	2/15/2047
Grand Prairie	W & WW SYS REV BONDS SRS 2013A	\$605,000	1/15/2019
Grand Prairie	W & WW SYS REV BONDS SRS 2017	\$5,110,000	1/15/2030
Greater Texoma UA	CONTRACT REV BONDS SRS 98 (SAVOY)	\$10,000	4/1/2018
Greater Texoma UA	CONTRACT REV BONDS SRS 2000 (TOM BEAN)	\$185,000	7/1/2020
Greater Texoma UA	CONTRACT REV BONDS SRS 2006	\$220,000	6/1/2026
Greater Texoma UA	CONTRACT REV BONDS SRS 2006	\$2,095,000	6/1/2026
Greater Texoma UA	CONTRACT REV BONDS SRS 2007	\$2,215,000	6/1/2028
Greater Texoma UA	CONTRACT REV BONDS SRS 2008	\$2,355,000	10/1/2027
Greater Texoma UA	CONTRACT REV BONDS SRS 2009	\$1,980,000	10/1/2029
Greater Texoma UA	CONTR REV BONDS (MELISSA) SRS 2009B	\$1,035,000	6/1/2029
Greater Texoma UA	CONTR REV BONDS SRS 2009A	\$3,105,000	10/1/2029
Greater Texoma UA	CONTRACT REV BONDS SRS 2014B	\$1,525,000	6/1/2034
Greater Texoma UA	CONTRACT REV BONDS SRS 2014	\$1,940,000	8/15/2041
Greater Texoma UA	CONTRACT REV BONDS SRS 2014	\$1,615,000	10/1/2034
Greater Texoma UA	CONTRACT REV BONDS SRS 2015A	\$3,430,000	10/1/2035
Greater Texoma UA	CONTRACT REV BONDS SRS 2015	\$615,000	10/1/2035
Greater Texoma UA	CONTRACT REV BONDS SRS 2016	\$165,000	10/1/2041
Greater Texoma UA	CONTRACT TAX & REV BONDS SRS 2012	\$2,635,000	8/15/2041
Greenville	WW & SS REV BONDS SRS 2008	\$13,945,000	2/15/2030
Groesbeck	CERTIFICATES OF OBLIGATION SRS 2007	\$1,000,000	2/15/2027
Harris Co FWSD # 47	WTRWKS & SWR SYS REV BONDS SRS 2008A	\$3,140,000	9/1/2028
Harris Co MUD # 33	UNLTD TAX BONDS SRS 2012	\$2,045,000	3/1/2036
Harris Co MUD # 46	UNLTD TAX BONDS SRS 2009	\$2,060,000	5/1/2032
Harris Co MUD # 50	WWKS & SS COMB UNLTD TAX & REV BONDS SRS 2007	\$945,000	3/1/2028
Harris Co MUD # 50	WW & SS COMB UNLMTD TAX & REV BONDS SRS2015	\$2,225,000	3/1/2034
Harris Co MUD # 148	UNLTD TAX & REV BONDS SRS 2009A	\$2,060,000	4/1/2031
Harris Co WCID # 36	UNLTD TAX BONDS SRS 2008	\$3,450,000	9/15/2028
Harris Co WCID # 89	UNLTD TAX BONDS SRS 2009	\$3,900,000	10/1/2026
Hidalgo Co MUD # 1	WWKS & SS REV BONDS SRS 2008A	\$2,600,000	2/15/2039
Hidalgo Co MUD # 1	WATERWORKS & SEWER SYSTEM REV BONDS SRS 2012	\$1,170,000	2/15/2032
Hillcrest Village	COMBINATION TAX & REV CERT OF OBL SRS 2000	\$40,000	3/15/2019
Honey Grove	TAX & REV CERTIFICATES OF OBLIGATION SRS 1999	\$210,000	9/1/2019
Houston	W & SS FIRST LIEN REV BONDS SRS 2008B	\$39,545,000	11/15/2037
Houston	W&SS FIRST LIEN REV BONDS SRS 2008C	\$46,185,000	11/15/2037
Houston	COMB UTIL SYST REV BONDS SRS 2008-E	\$55,160,000	11/15/2038
Houston	COMB UTIL SYS REV BONDS SRS 2010A	\$12,365,000	11/15/2039

POLITICAL SUBDIVISION	BOND DESCRIPTION	OUTSTANDING BALANCE	FINAL MATURITY
Houston	COMB UTIL SYST REV BONDS SRS 2011C	\$55,390,000	11/15/2040
Houston	COMB UTL SYS 1ST LIEN REV BNDS SRS 2014A	\$59,855,000	11/15/2043
Houston	COMB UTLTY SYS FIRST LIEN REV BONDS SRS 2015A	\$51,685,000	11/15/2044
Houston	COMB UTLTY SYS REV BONDS SRS 2016A	\$61,510,000	11/15/2045
Houston	COMB UTLTY SYS FIRST LIEN REV BONDS SRS 2017A	\$65,750,000	11/15/2046
Houston	COMB UTIL SYS FIRST LIEN REV BONDS SRS 2011B	\$21,555,000	11/15/2040
Houston	COMBINED UTILITY SYS FIRST LIEN REV BONDS SRS 2012E	\$43,880,000	11/15/2042
Houston	COMBINED UTILITY SYSTEM REV BONDS SRS 2013A	\$43,080,000	11/15/2042
Hudson	COMB TAX & UTILITY SURP REV CO'S SRS 2015	\$375,000	8/15/2035
Hudson	COMB TAX & UTLTY SYSTM REV CO SRS 2017	\$3,735,000	8/15/2036
Huntington	COMB TAX & SRPLS REV CO SRS 2014	\$95,000	2/1/2024
Huntington	COMB TAX & SURP REV CO SRS 2017	\$1,180,000	2/1/2037
Hutto	TAX & WW & SS SUB LIEN REV CO SRS 2014	\$20,890,000	8/1/2039
Hutto	TAX & WW & SS SUB LIEN REV CO SRS 2011A	\$2,115,000	8/1/2036
Ingram	TAX & SURP REV CO SRS 2009	\$610,000	2/15/2039
Ingram	COMB TAX & SRPLS REV CEO SRS 2013	\$115,000	2/15/2023
Ingram	COMB TAX & SRPL REV CO SRS 2014	\$1,145,000	2/15/2043
Jarrell	TAX & REV CO SRS 2006	\$5,370,000	8/1/2026
Jarrell	COMB TAX & REV CO SRS 2008	\$1,305,000	8/1/2038
Jarrell	COMB TAX & REV CO SRS 2017	\$12,000,000	8/1/2042
Jefferson	COMB TAX & SUR REV CO SRS 2016B	\$1,630,000	2/15/2037
Jefferson Co WCID # 10	UNLTD TAX BONDS SRS 2010	\$2,100,000	8/15/2030
Jefferson Co WCID # 10	UTIL SYST REV BONDS SRS 2017	\$1,000,000	8/15/2037
Johnson City	COMB TAX & SURP REV CO SRS 2015	\$885,000	8/1/2035
Keller	COMB TAX & SURP REV CO SRS 2012	\$4,570,000	2/15/2032
Kermit	CO SRS 2008	\$2,780,000	2/15/2028
Kerr County	COMB TAX & SUR REV CO SRS 2016	\$185,000	2/15/2041
Kerr County	COMB TAX & SUR REV CO SRS 2016	\$5,110,000	2/15/2041
Kerr County	CERT OF OBLG SRS 2012A	\$310,000	2/15/2022
Kirbyville	TAX & LIGHT & POWER SURP REV BOND CO SRS 2015	\$1,240,000	8/15/2035
La Feria	WATERWORKS & SEWER SYSTEM REV BONDS SRS 2004-A	\$220,000	9/15/2025
La Joya	W & WWS FIRST LIEN REV BONDS SRS 2007	\$1,133,000	3/1/2027
La Joya	W & WW SYS 1ST LIEN REV BONDS SRS 2008	\$3,480,000	9/1/2039
La Porte	CO SRS 2017	\$10,635,000	3/15/2037
Laguna Madre WD	WWKS & SS REV BONDS SRS 2016	\$5,535,000	3/1/2036
Lake Worth	UTIL SYST REV BONDS SRS 2009	\$192,000	2/1/2030
Laredo	SUB WW & SS REV BONDS SRS 2015B	\$20,695,000	3/1/2045
Laredo	SUB LIEN WW & SS REV BONDS SRS 2012	\$41,685,000	3/1/2042
Liberty	TAX & REV CO SRS 2007	\$4,890,000	3/1/2028
Liberty	UTILITY SYS REV BONDS SRS 2016A	\$810,000	3/1/2026
Liberty Hill	COMB TAX & JR LIEN REV CO SRS 2006A	\$860,000	9/1/2027
Liberty Hill	COMB TAX & JR LIEN REV CO SRS 2006B	\$4,335,000	9/1/2027
Littlefield	COMB TAX & REV CO SRS 2006	\$1,115,000	2/15/2027
Loraine	COMB TAX & WWKS & SS SURP REV CO SRS 2001	\$260,000	9/1/2023
Lorena	TAX & REV CO SRS 2007	\$1,450,000	7/1/2028
Lorenzo	COMB TAX AND REV CERT OF OBLIGATION SRS 1998	\$100,000	8/15/2019
Los Fresnos	COMB TAX & SUBORDINATE LIEN REV CO SRS 2009	\$4,405,000	2/1/2039
Los Fresnos	COMB TAX AND SUB LIEN REV CO'S SRS 2015A	\$745,000	2/1/2025
Lower Valley WD	UTIL SYST REV BONDS SRS 2007	\$12,870,000	9/15/2027

POLITICAL SUBDIVISION	BOND DESCRIPTION	OUTSTANDING BALANCE	FINAL MATURITY
Lubbock	TAX & WWKS SURP REV CO SRS 2017	\$35,000,000	2/15/2037
Macedonia Eylau MUD	REV BONDS SRS 1998	\$15,000	7/1/2018
Marfa	WWKS & WW REV BONDS SRS 2007	\$750,000	3/15/2026
Marlin	COMB TAX & REV CO'S SRS 2005A	\$1,610,000	7/1/2026
Marlin	COM TAX & SRPLS REV CERT OF OBLG SRS 2012	\$2,970,000	7/1/2042
Mart	COMB TAX AND REV CERT OF OBLIGATION SRS 1998 B	\$180,000	9/1/2018
McAllen	WATER & SS REV BONDS SRS 2013	\$5,995,000	2/1/2043
McAllen	WW & SS REV BNDS SRS 2013B	\$1,840,000	2/1/2023
McAllen	WW & SS REV BONDS SRS 2015	\$38,580,000	2/1/2045
McAllen	WWKS & SS REV BONDS SRS 2009	\$31,130,000	2/1/2040
McAllen	WWKS & SS REV BONDS SRS 2016	\$7,110,000	2/1/2047
McAllen	WATER AND SEWER SYSTEM REV BONDS SRS 2012	\$635,000	2/1/2022
Memorial Point UD	WW REV BONDS SRS 2016	\$2,045,000	4/1/2036
Mercedes	COMB TAX & SUBORD LIEN REV CO SRS 2006	\$565,000	2/15/2026
Mercedes	COMB TAX & SUBORD LIEN REV CO SRS 2008	\$5,055,000	2/15/2029
Mercedes	UTILITY SYSTEM REV BONDS SRS 2013	\$2,775,000	2/15/2033
Mission	WW & SS JR LIEN REV BONDS SRS 2015	\$15,650,000	2/15/2044
Montgomery	TAX & SURP REV CO SRS 2017A	\$1,090,000	3/1/2037
Mount Calm	WATER & WASTEWATER REV BONDS SRS 1998	\$15,000	9/1/2019
Mount Vernon	COMB TAX & SRPLS REV CO SRS 2013	\$460,000	9/1/2043
Nacogdoches	WWKS & SS REV BONDS SRS '04	\$4,375,000	3/1/2025
Newton	UTILITY SYSTEM REV BONDS SRS 1998	\$245,000	3/15/2019
North Fort Bend WA	WS JR LIEN REV BONDS SRS 2016A	\$9,420,000	12/15/2040
NW Harris Co MUD # 22	WW & SS COMB UNLMTD TAX & REV BONDS SRS 2015	\$2,730,000	4/1/2030
Oak Ridge North	COMB TAX & REV CO SRS 2009	\$4,055,000	4/1/2034
Olney	COMB TAX & REV CERT OF OBLG SRS 2014	\$230,000	9/1/2024
Olney	COMB TAX & REV CERTIFICATES OF OBLIGATION SRS 2015	\$2,440,000	9/1/2046
Orange Co WCID # 1	UNLTD TAX BONDS SRS 2007	\$1,705,000	2/15/2029
Orange Co WCID # 1	UNLTD TAX BONDS SRS 2009	\$10,065,000	2/15/2031
Orange Co WCID # 1	REV NOTES NEW SRS 2011	\$10,840,000	8/15/2031
Orange Co WCID # 2	WW & SS REV BNDS SRS 2013	\$300,000	3/1/2023
Paducah	COMB TAX & REV CO SRS 2008	\$785,000	2/15/2038
Palestine	WW & SS REV BONDS SRS 2003	\$1,710,000	7/15/2022
Palestine	WW & SS REV BONDS SRS 2006	\$410,000	7/15/2025
Palestine	WWKS & SS REV BONDS SRS 2007	\$2,580,000	7/15/2027
Palestine	WWKS & SS REV BONDS SRS 2008	\$400,000	7/15/2029
Pearland	COMB REV BOND SRS 2016B	\$11,100,000	9/1/2025
Pearland	COMB REV BONDS SRS 2016C	\$50,100,000	9/1/2045
Pecos City	W & WWS REV BONDS SRS 2008	\$4,675,000	3/15/2034
Pharr	WWKS & SS REV BONDS SRS 2007	\$21,435,000	9/1/2027
Pine Village PUD	WW&SS COMB UNLMTD TAX & REV BONDS SRS 2000B	\$570,000	3/1/2020
Point	TAX & REV CO SRS 2005	\$540,000	7/1/2023
Port Arthur	COMB TAX & REV CO'S SRS 2015A	\$5,625,000	2/15/2025
Ralls	UTILITY SYS REV BOND SRS 2014	\$105,000	2/1/2024
Ranger	COMB TAX & SURP REV CO SRS 2012	\$180,000	2/15/2023
Raymondville	COMB TAX & SUBORD LIEN REV CO SRS 2010	\$1,085,000	4/1/2040
Redwater	TAX & REV CO SRS 2005	\$255,000	6/1/2026
Rio Grande City	CO SRS 2007A (TAXABLE)	\$1,885,000	2/15/2030
Rio Grande City	COMB TAX & REV CERT OF OBLG SRS 2013	\$1,640,000	2/15/2033

POLITICAL SUBDIVISION	BOND DESCRIPTION	OUTSTANDING BALANCE	FINAL MATURITY
River Oaks	COMB TAX & SURP REV CO SRS 2017A	\$7,000,000	6/15/2047
Robstown	SEWER SYSTEM REV BONDS SRS 2014	\$450,000	12/1/2035
Robstown	SS REV BONDS SRS 2011	\$2,430,000	12/1/2041
Rogers	COMB TAX & SURP REV CO SRS 2017A	\$2,160,000	8/15/2047
Rogers	GO REF BONDS SRS 2017C	\$240,000	8/15/2032
Roma	COMB TAX & REV CO SRS 1999C	\$640,000	5/1/2020
Roma	COMB TAX & REV CO SRS 2003	\$495,000	5/1/2024
Roscoe	COMB TAX & REV CO SRS 2007	\$760,000	2/15/2027
Roscoe	COMB TAX & SPLS REV CO SRS 2013	\$1,000,000	2/15/2045
Rosenberg	COMB TAX & REV CO SRS 2010	\$248,000	8/1/2029
Roxton	COMB TAX & REV CO SRS 2007	\$600,000	7/1/2027
Sabinal	COMB TAX & REV CO SRS 2010	\$240,000	8/15/2025
San Antonio River Authority	WW SYS REV IMPROV BONDS SRS 2013	\$3,040,000	1/1/2024
San Antonio Water System	WS JR LIEN REV & REFUNDING BONDS SRS 2007	\$4,435,000	5/15/2027
San Antonio Water System	WS JR LIEN REV BONDS SRS 2008	\$23,450,000	5/15/2038
San Antonio Water System	JR LIEN REV & REFUNDING BONDS SRS 2008A	\$18,640,000	5/15/2038
San Antonio Water System	WS JR LIEN REV & REF BONDS SRS 2009	\$43,950,000	5/15/2039
San Antonio Water System	WS JR LIEN REV & REFUNDING BONDS SRS 2010A	\$14,560,000	5/15/2040
San Antonio Water System	JR LIEN REV BONDS SRS 2013D	\$53,940,000	5/15/2043
San Antonio Water System	JR LIEN REV BONDS SRS 2014C	\$35,050,000	5/15/2044
San Antonio Water System	WS JR LIEN REV BONDS SRS 2016E	\$14,175,000	5/15/2046
San Antonio Water System	WS JR LIEN REV BONDS SRS 2011A	\$15,480,000	5/15/2041
San Antonio Water System	JUNIOR LIEN REV BONDS SRS 2012	\$16,725,000	5/15/2042
San Augustine	TAX & REV CO SRS 2010	\$1,020,000	2/15/2040
San Juan	WATERWORKS AND SEWER SYSTEM REV BONDS SRS 2012	\$225,000	1/1/2022
San Marcos	WATERWORKS AND WASTEWTR SYS REV BONDS SRS 2015	\$330,000	8/15/2025
San Marcos	WWKS & WW REV BONDS SRS 2007	\$4,760,000	8/15/2037
San Marcos	WWKS & WW REV BONDS SRS 2007	\$1,000,000	8/15/2037
Seminole	TAX & WWKS & SS SURP REV CO SRS 2009	\$2,180,000	2/15/2034
Sequoia ID	UNLMTD TAX BONDS SRS 2016	\$1,315,000	4/1/2035
Sonora	COMB TAX & SUBORD LIEN REV CO SRS 2007	\$4,220,000	12/1/2029
Springtown	COMB TAX AND SURP REVE CERT OF OBLIG SRS 2012	\$3,555,000	8/15/2032
Stamford	COMB TAX & REV CO SRS 2004	\$85,000	2/15/2025
Sulphur Springs	COMB TAX & SURP REV CO SRS 2016	\$18,200,000	9/1/2046
Taft	COMB TAX & SURP REV CO SRS 2010	\$4,815,000	3/1/2042
Taylor Landing	UTIL SYST REV BONDS SRS 2007	\$485,000	9/1/2028
Tioga	COMB TAX & REV CERT OF OBLIGATION SRS 1998	\$25,000	4/1/2018
Trinidad	COMB TAX & REV CO SRS 2007A	\$255,000	1/1/2027
Trinity River Authority	CONTRACT REV BONDS SRS 2008	\$89,960,000	8/1/2028
Trinity River Authority	CONTRACT REV BONDS SRS 2009	\$86,745,000	8/1/2030
Trinity River Authority	CONTRACT REV BONDS SRS 2008	\$20,565,000	2/1/2028
Trinity River Authority	CONTRACT REV BONDS SRS 2009	\$6,990,000	2/1/2036
Trinity River Authority	CONTRACT REV BONDS SRS 2009	\$1,415,000	8/1/2032
Trinity River Authority	WW SYS REV BONDS SRS 2010 (CENTRAL REG WWS)	\$104,285,000	8/1/2034
Trinity River Authority	DENTON CREEK RWW TREATMNT SYS REV BONDS SRS 2011A	\$21,985,000	2/1/2032
Trinity River Authority	WW SYS REV BONDS SRS 2011	\$7,075,000	8/1/2038
Trinity River Authority	SYS REV BONDS SRS 2010 (TEN MI CR SYSTEM)	\$21,030,000	8/1/2036
Trinity River Authority	SYS REV BONDS SRS 2009 (RED OAK CREEK)	\$7,235,000	2/1/2031

POLITICAL SUBDIVISION	BOND DESCRIPTION	OUTSTANDING BALANCE	FINAL MATURITY
Trinity River Authority	DENTON CREEK RWTS REV BONDS SRS 2011	\$18,465,000	2/1/2038
Trinity River Authority	WW SYS REV BONDS SRS 2011	\$2,730,000	8/1/2038
Trinity River Authority	RED OAK CREEK SYS REV BONDS SRS 2011	\$10,575,000	2/1/2033
Trinity River Authority	REV BONDS SRS 2010A (CENTRAL REG WWS)	\$123,005,000	8/1/2043
Trinity River Authority	TEN MILE CREEK SYS REV BONDS SRS 2011	\$24,275,000	8/1/2034
Trinity River Authority	RWW SYS REV BONDS SRS 2011A	\$26,060,000	8/1/2032
Trinity River Authority	DENTON CREEK RWW TREATMENT SYS REV BONDS SRS 2011A	\$12,755,000	2/1/2038
Trinity River Authority	RWW SYS REV BONDS SRS 2011A	\$6,840,000	8/1/2031
Trinity River Authority	RWW SYS REV BONDS SRS 2012	\$24,820,000	8/1/2032
Trinity River Authority	RWW SYS REV BONDS SRS 2012	\$38,965,000	8/1/2032
Trinity River Authority	RWW SYS REV BONDS SRS 2011A	\$69,785,000	8/1/2033
Trinity River Authority	DENTON CREEK RWW TREATMENT SYS REV BONDS SRS 2012	\$13,515,000	2/1/2040
Trinity River Authority	TEN MILE CREEK SYS REV BONDS SRS 2011	\$1,060,000	8/1/2031
Vinton	COMB TAX & SOLID WASTE SURP REV CO SRS 2016	\$802,000	8/15/2046
Weatherford	UTILITY SYS REV BONDS SRS 2016	\$11,220,000	9/1/2036
Wells Branch MUD	UNLIMITED TAX BONDS SRS 1999	\$195,000	8/1/2019
West Tawakoni	TAX & WW SYS SPLS REV CERT OF OBLG SRS 2013	\$73,000	2/1/2023
Westwood Shores MUD	UNLTD TAX BONDS SRS 2010B	\$1,515,000	5/1/2030
Whitesboro	COMBINATION TAX & REV CO'S SRS 2002	\$915,000	8/15/2022
Wichita Falls	COMB TAX & REV CERT OF OBL SRS 2015	\$31,695,000	3/1/2045
Willis	COMB TAX & REV CO SRS 2010	\$1,325,000	8/1/2031
Wilson	COMB TAX & REV CO SRS 2009	\$1,340,000	2/15/2039
Wimberley	COMB TAX & SRPL REV ANTICIP NOTES SRS 2013	\$285,000	8/1/2020
Winnsboro	COMB TAX & REV CO SRS 2005	\$505,000	2/15/2024
Winnsboro	COMB TAX & WATER & SS SURP REV CO SRS 2015	\$940,000	8/15/2035
Winters	TAX & WWKS & SS SURP REV CO SRS 2007A	\$410,000	10/1/2028
Yoakum	COMB TAX & SUBORD LIEN REV CO SRS 2006	\$3,760,000	8/15/2028
Yoakum	COMB TAX & SUBORD LIEN REV CO SRS 2008	\$1,580,000	8/15/2031
Zapata County	COMB TAX & REV CO SRS 2008	<u>\$4,805,000</u>	2/15/2032
Total		<u>\$2,595,825,130</u>	

DRINKING WATER STATE REVOLVING FUND POLITICAL SUBDIVISION BONDS SUMMARY

POLITICAL SUBDIVISION	BOND DESCRIPTION	OUTSTANDING BALANCE	FINAL MATURITY
Abilene	COMB TAX & SURPLUS REVENUE CO, SERIES 2012	\$2,020,000	2/15/2033
Agua SUD	WATERWORKS & SEWER SYSTEM REVENUE BONDS SERIES 2009	\$3,020,000	8/1/2039
Agua SUD	WATERWORKS & SEWER SYSTEM REVENUE BONDS, SERIES 2014	\$3,100,000	8/1/2034
Aledo	TAX & WATERWORKS & SS SURPLUS REV CO SERIES 2007	\$3,545,000	8/15/2028
Alpine	COMB TAX & REVENUE CO SERIES 2005	\$2,613,000	3/1/2036
Alvord	TAX & WATERWORKS & SS SURPLUS REVENUE CO SERIES 2005	\$150,000	10/1/2023
Alvord	NET REVENUE BONDS, PROPOSED SERIES 2013	\$190,000	10/1/2025
Amarillo	COMB TAX & REVENUE CO SERIES 2009C	\$795,000	4/1/2023
Amarillo	WATERWORKS & SEWER SYSTEM REVENUE BONDS, SERIES 2015	\$12,670,000	5/15/2031
Amarillo	COMB TAX & REVENUE CO SERIES 2004	\$15,490,000	4/1/2035
Anahuac	COMB TAX & REVENUE CO BONDS, SERIES 2017A	\$140,000	8/1/2020
Anahuac	COMB TAX & SURPLUS REVENUE CO, SERIES 2014	\$5,175,000	10/15/2047
Anthony	COMB TAX & SURPLUS REVENUE CO, SERIES 2016	\$522,000	2/15/2024
Anthony	REVENUE BONDS SERIES 2008	\$980,000	2/15/2046
Arlington	TAX & WATERWORKS & SS SURPLUS REV CO TAXABLE SERIES 2006	\$20,900,000	6/1/2028
Ballinger	TAX & WATERWORKS & SS SURPLUS REVENUE CO, SERIES 2016	\$2,695,000	6/1/2038
Ballinger	WATER SUPPLY SYSTEM REVENUE BONDS, SERIES 2014	\$545,000	6/1/2026
Bandera Co FWSD # 1	WATER SUPPLY CONTRACT REVENUE BONDS SERIES 2006	\$545,000	8/15/2035
Baytown Area WA	WATER SYSTEM REVENUE BONDS SERIES 2008	\$3,505,000	5/1/2022
Beechwood WSC	COMB TAX & SURPLUS REVENUE CO, PROPOSED SERIES 2016	\$985,000	7/1/2038
Beeville	WATER SYSTEM REVENUE BONDS, SERIES 2000	\$3,145,000	2/15/2036
Benton City WSC	WATER SUPPLY REVENUE BONDS, PROPOSED SERIES 2013	\$81,000	10/1/2030
Bistone Municipal WSD	COMB TAX & SURPLUS NET REVENUE CO SERIES 2010	\$5,325,000	6/1/2034
Blossom	WATER SYSTEM REVENUE BONDS SERIES 2009	\$565,000	1/1/2039
Bolivar Peninsula SUD	WATER SYSTEM REVENUE BONDS SERIES 2009A	\$740,000	2/15/2036
Bolivar Peninsula SUD	WATER SYSTEM REVENUE BONDS SERIES 2009B	\$995,000	2/15/2027
Bolivar Peninsula SUD	WATER SYSTEM REVENUE BONDS SERIES 2009C	\$4,645,000	2/15/2038
Bolivar Peninsula SUD	COMB TAX & REVENUE CO, SERIES 2006	\$2,000,000	2/15/2028
Bonham	COMB TAX & WATERWORKS SURPLUS REVENUE CO, SERIES 2000	\$4,655,000	2/15/2036
Brady	COMB TAX & SURPLUS WW SYSTEM REVENUE CO, SERIES 2013	\$2,940,000	5/1/2031
Brady	WATER SUPPLY REVENUE BOND, PROPOSED SERIES 2014	\$280,000	9/1/2024
Brazosport WA	COMB TAX & SURPLUS REVENUE CO, SERIES 2012	\$14,050,000	9/1/2034
Breckenridge	COMB TAX & SURPLUS REVENUE CO, SERIES 2014	\$1,545,000	3/15/2044
Breckenridge	WATER SYSTEM REVENUE BONDS SERIES 2009	\$2,280,000	3/15/2045
Bright Star-Salem SUD	REVENUE BONDS SERIES 2006	\$4,625,000	9/1/2030
Brown Co WID # 1	COMB TAX & REVENUE CO SERIES 2004	\$12,510,000	2/1/2028
Brownwood	UNLIMITED TAX & REVENUE BONDS, SERIES 2002A	\$3,035,000	3/15/2025
Burleson Co MUD # 1	COMB TAX & SURPLUS REVENUE CO, SERIES 2012A	\$1,042,000	6/1/2034
Burnet	COMB TAX & SURPLUS REVENUE CO, SERIES 2016A	\$60,000	8/15/2022
Cameron	COMB TAX & SURPLUS REVENUE CO, SERIES 2014	\$8,975,000	3/1/2042
Carbon	\$375,000 NET REVENUE BONDS, PROPOSED SERIES	\$89,000	2/15/2035
Castroville	NET REVENUE BONDS, PROPOSED SERIES 2013	\$210,000	2/1/2023
Castroville	COMBINED UTILITY SYSTEM REVENUE BONDS, SERIES 2015 A	\$3,265,000	8/1/2035
Cisco	COMB TAX & REVENUE CO SERIES 2008	\$1,575,000	2/15/2038
Cisco	COMB TAX & REVENUE CO SERIES 2008A	\$2,445,000	2/15/2038
Cockrell Hill	COMB TAX & SUBORDINATE REVENUE CO SERIES 2008	\$1,415,000	4/1/2031
Coleman	TAX & UTILITY SYSTEM SURPLUS REVENUE CO SERIES 2008	\$3,665,000	4/1/2039

POLITICAL SUBDIVISION	BOND DESCRIPTION	OUTSTANDING BALANCE	FINAL MATURITY
Comanche	COMB TAX & UTIY SYSTEM SURPLUS REVENUE CO, SERIES 2013	\$645,000	9/1/2043
Commerce	COMB TAX & REVENUE CO SERIES 2010A	\$1,869,000	2/15/2040
Commerce	COMB TAX & REVENUE CO SERIES 20010B (TAXABLE)	\$386,000	2/15/2040
Corpus Christi	UTILITY SYSTEM JUNIOR LIEN REV REFNDG BONDS, SERIES 2017	\$50,370,000	7/15/2045
Coryell City WSD	UTILITY SYSTEM NET REVENUE BONDS SERIES 2016	\$2,000,000	10/1/2037
Cottonwood Shores	COMB TAX & REVENUE CO, SERIES 2017	\$1,395,000	5/1/2037
Cotulla	COMB TAX & REVENUE CO, SERIES 2017B	\$3,920,000	2/1/2047
Del Rio	COMB TAX & REV CERT OF OBLIGATION SER 2000A	\$622,000	6/1/2019
Del Rio	COMB TAX & REVENUE REFUNDING BONDS, SERIES 2001	\$1,080,000	6/1/2021
Del Rio	COMB TAX & REVENUE CO, SERIES 2002C	\$1,870,000	6/1/2022
Del Rio	COMB TAX & REVENUE CO SERIES 2009C	\$6,995,000	6/1/2038
DeLeon	COMB TAX & REVENUE CO, SERIES 2013	\$60,000	2/15/2023
DeLeon	COMB TAX & REVENUE CO, SERIES 2014	\$480,000	2/15/2043
Denton Co FWSD # 1A	CONTRACT REVENUE BONDS SERIES 2009	\$2,270,000	12/15/2030
Deport	TAX & UTILITY SYSTEM REV CO, SERIES 2000	\$90,000	9/1/2020
Eagle Pass	WW & SS REVENUE BONDS, SERIES 2003B	\$6,925,000	12/1/2034
Eagle Pass	WW & SS REVENUE BONDS, SERIES 2003A	\$2,870,000	12/1/2032
Eagle Pass	WATERWORKS & SS REVENUE BONDS, SERIES 2003C	\$4,235,000	12/1/2033
Eagle Pass	WATERWORKS & SEWER SYSTEM REVENUE BONDS SERIES 2016	\$17,090,000	12/1/2046
Eagle Pass Water Works Sys	WATERWORKS & SS REVENUE BONDS, PROPOSED SERIES 2013	\$5,450,000	12/1/2042
East Cedar Creek FWSD	UTILITY SYSTEM REVENUE BONDS SERIES 2007	\$430,000	7/1/2027
East Tawakoni	TAX & WATER & SEWER SYSTEM REVENUE CO SERIES 2006	\$845,000	1/1/2027
East Tawakoni	TAX & WATER & SS SURPLUS REVENUE CO SERIES 2010	\$835,000	1/1/2030
Eastl&	COMB TAX & REVENUE CO SERIES 2008B	\$1,770,000	12/1/2036
Eastland Co WSD	REVENUE BONDS & LOAN FORGIVENESS	\$3,285,000	1/1/2044
Edgewood	COMB TAX & REVENUE CO SERIES 2009	\$765,000	5/1/2039
Edinburg	UTILITY SYSTEM JUNIOR LIEN REVENUE BONDS, SERIES 2014	\$8,985,000	3/1/2034
Edinburg	UTILITY SYSTEM JUNIOR LIEN REVENUE BONDS, SERIES 2016	\$5,135,000	3/1/2036
El Campo	TAX & SURPLUS REVENUE CO, SERIES 2014A	\$263,000	2/1/2024
El Jardin WSC	REVENUE BONDS, SRS 2003	\$2,405,000	9/1/2033
El Paso Co Tornillo WID	WATERWORKS & SEWER SYSTEM REVENUE BONDS SERIES 2008	\$95,000	8/1/2038
Eldorado	COMB TAX & SURPLUS REVENUE CO, SERIES 2012B	\$500,000	8/1/2036
Emory	COMB TAX & REVENUE CO, SERIES 2013	\$597,000	7/1/2033
Eules	WATERWORKS & SS REVENUE BONDS, SERIES 2015A	\$4,245,000	7/15/2035
Fayetteville	COMB TAX & UTILITY SYSTEM SURPLUS REV CO, SERIES 2016	\$180,000	8/1/2035
Flatonia	COMB TAX & SUBORDINATE LIEN REVENUE CO SERIES 2006	\$310,000	9/1/2026
Fort Worth	WATER & WW SYS SUBORDINATE LIEN REV BONDS SERIES 2007B	\$29,315,000	3/1/2027
Fort Worth	WATER & WASTEWATER REVENUE BONDS SERIES 2010A	\$27,290,000	2/15/2030
Fort Worth	WATER & SEWER SYSTEM REVENUE BONDS SERIES 2009	\$10,475,000	2/15/2030
Goldthwaite	COMB TAX & WATERWORKS & SS SURPLUS REV CO SERIES 2015	\$1,410,000	11/1/2044
Gorman	COMB TAX & SURPLUS REVENUE CO, SERIES 2015	\$126,000	3/1/2030
Granbury	COMB TAX & SURPLUS REVENUE CO, SERIES 2016	\$16,215,000	8/15/2045
Granbury	COMB TAX & SURPLUS REVENUE CO, SERIES 2017	\$2,720,000	8/15/2027
Granbury	WATERWORKS & SEWER SYSTEM REVENUE BONDS, SERIES 2014	\$15,000,000	8/15/2037
Grand Prairie	CITY OF PARADISE PROJECT CONTRACT REV BONDS, SERIES 1999	\$3,280,000	1/15/2030
Greater Texoma UA	CONTRACT REVENUE BONDS SERIES 2007	\$65,000	10/1/2019
Greater Texoma UA	CONTRACT REVENUE BONDS, SERIES 2014A	\$1,005,000	6/1/2027
Greater Texoma UA	CONTRACT REVENUE BONDS, PROPOSED SERIES 2014	\$350,000	6/1/2024

POLITICAL SUBDIVISION	BOND DESCRIPTION	OUTSTANDING BALANCE	FINAL MATURITY
Greater Texoma UA	CONTR REV BONDS, SERIES 2015 (CITY OF SHERMAN PROJECTS)	\$3,305,000	8/15/2034
Greater Texoma UA	CONTRACT REVENUE BONDS, SERIES 2015	\$2,235,000	10/1/2024
Greater Texoma UA	CONTR REV BONDS, SERIES 2015B (CITY OF SHERMAN PROJECT)	\$2,715,000	6/1/2034
Greater Texoma UA	CONTR REV BONDS, SERIES 2017 (CITY OF SHERMAN PROJECT)	\$26,030,000	10/1/2035
Greater Texoma UA	CONTR REV BONDS, SERIES 2017 (LAKE KIOWA SPEC UTY DIST PROJ)	\$7,155,000	10/1/2037
Greater Texoma UA	WATERWORKS & SEWER SYSTEM REVENUE BONDS SERIES 2009	\$2,115,000	8/15/2037
Greenville	COMB TAX & REVENUE CO SERIES 2006	\$200,000	2/15/2029
Groesbeck	COMB TAX & REVENUE CO SERIES 2008	\$640,000	8/15/2036
Groesbeck	COMB TAX & REVENUE CO, SERIES 2000	\$1,646,000	2/15/2040
Hamlin	WATERWORKS & SS UNLIMITED TAX BONDS SERIES 2016	\$2,660,000	3/1/2031
Harris Co MUD # 50	UNLIMITED TAX BONDS SERIES 2009B	\$2,360,000	3/1/2035
Harris Co MUD # 148	UNLIMITED TAX BONDS, SERIES 2007	\$2,105,000	4/1/2031
Harris Co WCID # 36	UNLIMITED TAX BONDS, SERIES 2014	\$3,180,000	9/15/2027
Harris Co WCID # 36	COMB TAX & SURPLUS REVENUE CO, SERIES 2013	\$3,565,000	9/1/2034
Hico	WATERWORKS & SEWER SYSTEM REVENUE BONDS, SERIES 2009	\$1,345,000	8/15/2042
Hidalgo Co MUD # 1	COMB TAX & SUBORDINATE LIEN CO, PROPOSED SERIES 2013	\$4,165,000	2/15/2039
Hondo	COMB TAX & SUBORDINATE LIEN REVENUE CO, SERIES 2017	\$300,000	2/1/2023
Hondo	COMB TAX & SURPLUS REVENUE CO, SERIES 2013	\$5,285,000	8/1/2036
Honey Grove	COMB TAX & SURPLUS REVENUE CO, SERIES 2015	\$122,000	3/1/2023
Honey Grove	COMBINED UTILITY SYS REV BONDS, PROPOSED SERIES 2015-B	\$2,700,000	9/1/2045
Houston	WATER SYSTEM REVENUE BONDS SERIES 2007	\$43,510,000	11/15/2034
Houston Co WCID # 1	COMB TAX & WATERWORKS & SS REVENUE CO, SERIES 2012	\$4,655,000	8/1/2038
Hubbard	COMB TAX & SURPLUS REVENUE CO, SERIES 2016A	\$1,360,000	2/15/2043
Jefferson	COMB TAX & SUBORDINATE LIEN REVENUE CO SERIES 2007	\$2,600,000	2/15/2037
Karnes City	COMB TAX & REV COS, PROPOSED SERIES 1999	\$3,070,000	6/1/2037
Kountze	COMB TAX & WATERSORKS & SURPLUS REVENUE CO, SERIES 2014	\$345,000	3/15/2024
Ladonia	TAXABLE WATER REVENUE BONDS, PROPOSED SERIES 2013	\$140,000	2/15/2024
Lake Livingston WSSSC	WATER SYSTEM REVENUE BONDS SERIES 2007	\$16,105,000	12/1/2039
Lake Livingston WSSSC	WATER SYSTEM REVENUE BONDS SERIES 2010	\$3,030,000	12/1/2034
Lamar Co WSD	COMB TAX & REVENUE BONDS, SERIES 2016	\$2,505,000	7/10/2027
Lamar Co WSD	UTILITY SYSTEM REVENUE SERIES 2016B	\$1,250,000	7/10/2039
Laredo	COMB TAX & SUBORDINATE LIEN REVENUE CO, SERIES 2015	\$5,175,000	3/1/2045
Laredo	WATER SUPPLY CONTRACT REV TAXABLE BONDS SERIES 2009	\$4,315,000	3/1/2045
Lee Co FWSD # 1	UTILITY SYSTEM REVENUE BONDS SERIES 2008	\$510,000	3/1/2046
Liberty	COMB TAX & REVENUE CO SERIES 2005B	\$825,000	3/1/2026
Los Fresnos	COMB TAX & SURPLUS REVENUE CO, SERIES 2012A	\$925,000	2/1/2025
Lower Neches Valley Authority	WATER SYSTEM REVENUE BONDS, SERIES 2017	\$17,170,000	8/1/2035
Lower Valley WD	COMB TAX & REVENUE CO, SERIES 2013	\$170,000	9/15/2017
Marlin	COMB TAX & REV CO, SRS 2002A	\$7,900,000	7/1/2036
Marlin	COMB TAX & REVENUE CO TAXABLE SERIES 2005	\$1,660,000	7/1/2042
Melvin	COMB TAX & REVENUE CO, SERIES 2009A	\$180,000	9/1/2047
Menard	COMB TAX & REVENUE CO, TAXABLE SERIES 2009B	\$330,000	3/1/2023
Mexia	WATERWORKS & SEWER SYSTEM REVENUE BONDS, SERIES 2008	\$190,000	8/15/2022
Mexia	WATER & SS JUNIOR LIEN REVENUE BONDS SERIES 2009	\$265,000	8/15/2024
Mexia	TAX & SURPLUS REVENUE CO, SERIES 2017B	\$1,980,000	8/15/2038
Mexia	COMB TAX & SURPLUS REVENUE CO, SERIES 2013	\$680,000	8/15/2038
Midlothian	REVENUE BONDS, SERIES 2003	\$16,425,000	9/1/2028
Mission	UTILITY SYSTEM REVENUE BONDS, SERIES 2008	\$5,485,000	2/15/2029
Montgomery	UTILITY SYSTEM REVENUE BONDS SERIES 2009A	\$1,730,000	3/1/2037

POLITICAL SUBDIVISION	BOND DESCRIPTION	OUTSTANDING BALANCE	FINAL MATURITY
Moran	WATERWORKS & SEWER SYSTEM REVENUE BONDS SERIES 2006	\$165,000	2/15/2044
Mount Calm	REVENUE BONDS SERIES 2012	\$143,000	3/1/2024
Mount Pleasant	COMB TAX & REVENUE CO, SRS 2002	\$21,625,000	3/15/2033
Mountain Peak SUD	COMB TAX & SURPLUS REVENUE CO, SERIES 2013	\$645,000	12/1/2029
Nacogdoches	WATER & SEWER SYSTEM REVENUE BONDS SERIES 2017A	\$3,880,000	3/1/2023
North Central Texas MWA	WATER & SEWER SYSTEM REVENUE BONDS SERIES 2017B	\$4,760,000	7/10/2043
Palmer	COMB TAX & SURPLUS REVENUE CO, SERIES 2000A	\$435,000	7/1/2022
Paris	WATERWORKS & SEWER SYSTEM REVENUE BONDS SERIES 2007A	\$2,300,000	6/15/2032
Pearland	NET REVENUE BONDS, PROPOSED SERIES 2013	\$10,225,000	9/1/2027
Pearland	COMB TAX & REVENUE COS SERIES 2015B	\$12,025,000	9/1/2047
Pecos City	WATER & SEWER SYSTEM REVENUE BONDS, SERIES 2016	\$1,750,000	6/15/2020
Pharr	WATER SYSTEM REVENUE BONDS SERIES 2007	\$10,320,000	9/1/2027
Pharr	WATER SYSTEM REVENUE BONDS, SERIES 2002-A	\$7,960,000	9/1/2042
Port Arthur	WATER SYSTEM REVENUE BONDS SERIES 2008	\$1,670,000	2/15/2025
Port Mansfield PUD	COMB TAX & SUBORDINATE LIEN REVENUE CO, SERIES 2013	\$214,000	4/1/2046
Porter SUD	WATER REVENUE BONDS, TAXABLE SERIES 2011	\$970,000	6/1/2028
Possum Kingdom WSC	COMB TAX & WATERWORKS SYS SURPLUS REV CO'S SERIES 2016	\$1,845,000	12/15/2023
Possum Kingdom WSC	COMB TAX & REVENUE CO SERIES 2004	\$1,190,000	12/15/2029
Raymondville	COMB TAX & REVENUE CO, SERIES 2005	\$1,995,000	4/1/2033
Red River Co WSC	CO, SERIES 2007B	\$1,092,000	4/1/2041
Reklaw	CO SERIES 2007C	\$300,000	3/1/2047
Reno	COMB TAX & UTILITY SYSTEM SURPLUS REVENUE CO, SERIES 2013	\$730,000	1/1/2024
Reno	FIRST LIEN WATERWORKS & SS REVENUE BONDS, SERIES 2016	\$590,000	1/1/2024
Rio Grande City	COMB TAX & SURPLUS REVENUE CO SERIES 2017C	\$9,785,000	2/15/2040
Rio Grande City	COMB TAX & SURPLUS REVENUE CO SERIES 2017B	\$7,560,000	2/15/2040
Rio Hondo	COMB TAX & WATERWORKS & SS REVENUE CO, SERIES 2011	\$1,033,000	8/1/2033
Rio Hondo	COMB TAX & WATERWORKS & SS REV CO, TAXABLE SERIES 2011	\$285,000	8/1/2036
River Oaks	COMB TAX & SURPLUS REVENUE CO, SERIES 2017B	\$8,000,000	6/15/2047
Robert Lee	COMB TAX & REVENUE COS, SERIES 2000A	\$678,000	12/1/2042
Robert Lee	UTILITY SYSTEM REVENUE BONDS SERIES 2006	\$59,000	12/1/2042
Rogers	JUNIOR LIEN REVENUE BOND, SERIES 2013C	\$2,205,000	8/15/2047
Roma	JUNIOR LIEN REVENUE BONDS, SERIES 2014D	\$967,000	11/1/2029
Round Rock	JUNIOR LIEN REVENUE BONDS, PROPOSED SERIES 2015 A	\$6,740,000	8/1/2026
San Antonio Water System	WATER SYSTEM JUNIOR LIEN REVENUE BONDS, SERIES 2016	\$21,510,000	5/15/2033
San Antonio Water System	WATERWORKS & SS REVENUE BONDS, PROPOSED SERIES 2013A	\$19,245,000	5/15/2034
San Antonio Water System	WATERWORKS & SEWER SYSTEM REVENUE BONDS, SERIES 2013	\$71,560,000	5/15/2045
San Antonio Water System	COMB TAX & WATERWORKS & SS SURPLUS REV CO, SERIES 2014	\$12,335,000	5/15/2046
San Juan	UTILITY DIST REV BONDS (WATER SYS IMPROV PROJ) SERIES 2007	\$5,675,000	1/1/2033
San Juan	COMB TAX & SURPLUS REVENUE CO, SERIES 2017	\$1,205,000	1/1/2033
San Saba	COMB TAX & SURPLUS REVENUE CO, PROPOSED SERIES 2013	\$120,000	3/1/2024
Seis Lagos UD	COMB TAX & REVENUE CO SERIES 2009	\$825,000	3/1/2027
Seymour	CONTRACT REVENUE BONDS SERIES 2009A	\$2,115,000	3/1/2048
Smyer	CONTRACT REVENUE BONDS SERIES 2009B	\$120,000	2/15/2034
Sonora	COMB TAX & SURPLUS REVENUE CO, SERIES 2016	\$2,070,000	12/1/2029
South Houston	REVENUE BONDS SERIES 2011	\$1,435,000	3/1/2030
Southmost Regional WA	TAX & REVENUE CO, SERIES 2006	\$7,125,000	9/1/2039
Southmost Regional WA	COMB TAX & SURPLUS REVENUE CO, SERIES 2014	\$2,790,000	9/1/2029
Stamford	COMB TAX & SURPLUS REVENUE CO,	\$9,260,000	2/15/2046
Stephens Regional SUD	REVENUE BONDS, SERIES 2011	\$1,565,000	8/15/2042

POLITICAL SUBDIVISION	BOND DESCRIPTION	OUTSTANDING BALANCE	FINAL MATURITY
Surfside Beach	COMB TAX & REVENUE CO, SERIES 2016	\$1,040,000	2/15/2028
Sweetwater	COMB TAX & REVENUE CO SERIES 2007	\$1,650,000	8/15/2033
Sweetwater	COMB TAX & REVENUES, CO, SERIES 2017	\$4,755,000	8/15/2036
Tioga	WATER SYSTEM REVENUE BONDS SERIES 2009A	\$415,000	4/1/2031
Tioga	WATER SYSTEM REVENUE BONDS SERIES 2010	\$1,050,000	3/15/2042
Trinidad	REVENUE BONDS, PROPOSED SERIES 2013	\$205,000	1/1/2037
Troy	TAX-EXEMPT WATER SYSTEM REVENUE BONDS, SERIES 2015A	\$2,100,000	2/1/2048
Tyler County SUD	TAXABLE WATER SYSTEM REVENUE BONDS, SERIES 2015B	\$870,000	9/1/2037
Tyler County SUD	UNLIMITED TAX & JR LIEN WW & SS REV BONDS SERIES 2008	\$673,000	9/1/2038
Upper Leon River MWD	COMB TAX & SURPLUS SYSTEM REVENUE CO SERIES 2016	\$560,000	5/1/2024
Upper Leon River MWD	TAX & WATERWORKS & SS SURPLUS REVENUE CO, SERIES 2017	\$7,452,000	5/1/2047
Upper Leon River MWD	SYSTEM REVENUE BONDS, SERIES 2013	\$1,863,000	5/1/2047
Victoria Co WCID # 1	WATER & SEWER SYSTEM REVENUE BONDS, PROPOSED SERIES 2012	\$2,200,000	3/1/2029
Wellborn SUD	COMB TAX & WATER & SS SURPLUS REVENUE CO, SERIES 2014	\$2,450,000	7/15/2027
Wellman	COMB TAX & WATER & SS SURPLUS REVENUE CO, SERIES 2016	\$135,000	2/15/2036
West Tawakoni	TAX & WATERWORKS & SS SURPLUS REV CO SERIES 2007 (TAXBLE)	\$1,125,000	2/1/2047
White River MWD	TAX & WATERWORKS & SS SURPLUS REVENUES, SERIES 2014	\$960,000	6/1/2043
Willis	COMB TAX & WATERWORKS & SS SURPLUS REV CO SERIES 2009	\$2,880,000	8/1/2043
Willow Park	COMB TAX & REVENUE CO SERIES 2008	\$625,000	2/15/2035
Willow Park	COMB TAX & REVENUE CO, SERIES 2013	\$995,000	2/15/2037
Winters	COMB TAX & REVENUE CO SERIES 2006	\$1,175,000	10/1/2038
Winters	WATER & SEWER REVENUE BONDS, PROPOSED SERIES 2013	\$345,000	10/1/2024
Wolfe City	COMB TAX & WW & SS SURPLUS REV CO, SERIES 2009	\$835,000	9/15/2041
Woodsboro	COMB TAX AND REVENUE CO, SERIES 2008	\$385,000	3/1/2028
Wortham	COMB TAX AND REVENUE CO, SERIES 2013	\$229,000	8/15/2033
Zapata County	COMB TAX AND REVENUE CO, SERIES 2006	\$11,345,000	2/15/2040
Zavala Co WCID # 1	WATER & SEWER REVENUE BONDS, PROPOSED SERIES 2013	\$690,000	1/1/2043
Total		<u>\$964,676,000</u>	

APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

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Proposed Form of Opinion of Bond Counsel

*An opinion in substantially the following form will be delivered by
McCall, Parkhurst & Horton L.L.P., Bond Counsel,
upon the delivery of the Bonds, assuming no material changes in facts or law.*

TEXAS WATER DEVELOPMENT BOARD STATE REVOLVING FUND REVENUE BONDS, NEW SERIES 2018 IN THE AGGREGATE PRINCIPAL AMOUNT OF \$288,395,000

AS BOND COUNSEL for the Texas Water Development Board (the "Issuer"), the issuer of the Bonds described above (the "Bonds"), we have examined into the legality and validity of the issue of bonds described above, which bear interest from the date, mature on the dates, and are subject to redemption, all as specified on the face of the Bonds, all in accordance with the Master Resolution adopted by the Issuer on March 1, 2018 (the "Master Resolution"), and the First Supplemental Resolution to the Master Resolution adopted by the Issuer on March 1, 2018 (the "First Supplemental Resolution" and, together with the Master Resolution, the "Bond Resolution"). Terms used herein and not otherwise defined shall have the meaning given in the Bond Resolution.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond No. R-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized and issued in accordance with the Constitution and laws of the State of Texas, and constitute valid and binding special obligations of the Issuer secured by a payable solely from the Security for the SRF Bonds described in the Bond Resolution, the pledge of and lien on the CWSRF Revenues comprising a portion of such Security for the SRF Bonds bind junior and subordinate to the pledge of and lien on the Security securing payment of bonds issued under the CWSRF Master Resolution; and that the Bonds are enforceable in accordance with their terms and conditions, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws now existing or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors, and certain equitable remedies, including specific performance, or legal remedies awarded, as may be subject to the exercise of judicial discretion.

IN OUR OPINION, except as discussed below, the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance by the Issuer with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the project refinanced with the proceeds of the Bonds. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer 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, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of the Issuer and the Security for the SRF Bonds available for the payment of debt service on the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

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 (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Respectfully,

APPENDIX F

SUMMARY OF MASTER RESOLUTION AND FIRST SUPPLEMENTAL RESOLUTION

SUMMARY OF PROVISIONS OF THE MASTER RESOLUTION AND THE FIRST SUPPLEMENTAL RESOLUTION

The following statements summarize certain provisions of the Master Resolution and the First Supplemental Resolution. These statements do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the Master Resolution and the First Supplemental Resolution, respectively. Copies of the Master Resolution and the First Supplemental Resolution are available for examination at the offices of the Board.

The following capitalized terms appearing this Official Statement have the meanings set forth Appendix A, unless the context otherwise requires. A reference to any of these terms in the singular number includes the plural and vice versa.

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SUMMARY OF THE MASTER RESOLUTION

ESTABLISHMENT OF FINANCING PROGRAM

Establishment of Financing Program

Pursuant to authority conferred by and in accordance with the provisions of the Constitution and the laws of the State, particularly the SRF Act, the Bond Act and Chapter 1371, the Board establishes a financing program to: (i) provide funds, including state matching funds, to augment the CWSRF; (ii) provide funds, including state matching funds, to augment the DWSRF; (iii) fund any reserve or other fund established in connection with the issuance of SRF Bonds; (iv) refund and refinance outstanding SRF Bonds, Subordinate Obligations, General Obligation Match Bonds, and any other obligations (including, but not limited to, Credit Enhancement Agreements and Subordinated Credit Agreements) secured in whole or in part by a pledge of the Security for the SRF Bonds; (v) consolidate revenues and other assets of the CWSRF and the DWSRF to secure Bonds and Subordinate Obligations under authority of State law to cross collateralize any State Revolving Fund administered by the Board, including, without limitation, the CWSRF and the DWSRF; (vi) pay the cost of issuance of SRF Bonds; and (vii) provide funds for any other lawful purpose.

Except as provided in “*Issuance of SRF Bonds and Credit Enhancement Agreements*” in this Appendix F, no limit is imposed as to the principal amount of SRF Bonds that may be issued under the provisions of the Master Resolution.

Security

The Board’s obligation to pay amounts owed in respect of SRF Bonds shall be special obligations of the Board secured by and payable from the sources herein provided. Subject to the prior lien on the Designated Pledged CWSRF Revenues granted in favor of the obligations issued or incurred under the terms of the CWSRF Master Resolution, the Board hereby pledges and grants a lien on: (i) all Pledged SRF Revenues; (ii) all Political Subdivision Bonds and Government Obligations held in the CWSRF Portfolio Account (except such released Political Subdivision Bonds, as described in the Master Resolution), and all amounts in the CWSRF Revenue Account and the CWSRF Program Account pending disbursement thereof; (iii) all Political Subdivision Bonds and Government Obligations held in the DWSRF Portfolio Account (except such released Political Subdivision Bonds, as described in the Master Resolution), and all amounts in the DWSRF Revenue Account and the DWSRF Program Account pending disbursement thereof; (iv) all amounts held in the Portfolio Redemption Account; and (v) all of the proceeds of the foregoing, including, without limitation, investments thereof (collectively, the “Security for the SRF Bonds”), to secure payment of the principal of, redemption premium, if any, and interest on the SRF Bonds and payment of all amounts due and owing under any Credit Enhancement Agreements.

All SRF Bonds shall be additionally secured by and payable from amounts in the Senior Bond Interest and Sinking Account and from any Credit Enhancement Agreement the Board provides as additional security for any SRF Bonds; provided, that the lien granted to secure payment of amounts due and owing under any such Credit Enhancement Agreement shall not be superior to the lien granted in support of SRF Bonds; and provided, further, that Transferred SRF Revenues deposited to the credit of the Senior Lien Bond Interest and Sinking Account in the manner provided in the Master Resolution shall not be available to pay amounts due and owing under any such Credit Enhancement Agreement.

The term “Security for the SRF Bonds” does not include (i) the Board’s rights under any federal capitalization grant agreement between the Board and the EPA in accordance with the Federal Clean Water Act and the Federal Drinking Water Act, including, without limitation, the Board’s prospective right to receive federal capitalization grant money under any such agreements, (ii) amounts in the General Obligation Match Bond Interest and Sinking Account, or in any accounts established to provide for the payment of the principal of, redemption premium, if any, and interest on Subordinate Obligations or to maintain reserves to ensure payment of such principal, redemption premium and

interest, or (iii) amounts on deposit in either the CWSRF Expense Account or the DWSRF Expense Account available to pay Operating Expenses of the CWSRF or the DWSRF, as the case may be.

SRF Bonds Ratably Secured

(a) All SRF Bonds issued under the Master Resolution, and are to be, to the extent provided in the Master Resolution, equally and ratably secured by the Security for the SRF Bonds pledged under the Master Resolution without preference; provided, that no Series or Installment of SRF Bonds shall have any right, lien or claim to the security of or payment from any Credit Enhancement Agreement unless such Credit Enhancement Agreement is provided to secure or pay SRF Bonds of such Series or Installment.

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

Issuance of SRF Bonds and Credit Enhancement Agreements

The Board reserves and shall have the right and power to issue SRF Bonds and to execute and deliver Credit Enhancement Agreements with respect to any or all of the SRF Bonds for any purpose authorized by law pursuant to the provisions of the Master Resolution and a Supplemental Resolution. SRF Bonds issued in accordance with the Master Resolution shall be secured by and made payable equally and ratably on a parity with all outstanding SRF Bonds from a lien on and pledge of the Security for the SRF Bonds. In addition, the Board's obligations under any Credit Enhancement Agreement(s) with respect to any or all of the SRF Bonds may be (i) secured by and made payable equally and ratably on a parity with all previously outstanding Credit Enhancement Agreements and the SRF Bonds, from a lien on and pledge of the Security for the SRF Bonds, (ii) secured by and made payable from a lien on and pledge of the Security for the SRF Bonds subordinate to the lien in favor of the SRF Bonds and any related Credit Enhancement Agreements or (iii) any combination of parity and subordinate liens.

COVENANTS AND REPRESENTATIONS

Payment of SRF Bonds

The Board shall promptly pay the principal of, redemption premium, if any, and interest on each Series or Installment of SRF Bonds at the place, on the dates, and in the manner provided in the SRF Bonds and the Supplemental Resolution authorizing the issuance of the SRF Bonds of such Series or Installment.

Authority

The Board represents and warrants that: (i) it is duly authorized under the Constitution and laws of the State, particularly the Bond Act and Chapter 1371, to issue the SRF Bonds, to secure the SRF Bonds through the cross collateralization of revenues and assets held in the CWSRF and the DWSRF under authority of the SRF Act, to execute and deliver at any time any Credit Enhancement Agreement in relation to such SRF Bonds, and to perform the terms of the Master Resolution; (ii) all action on its part for the adoption of the Master Resolution has been duly taken; (iii) the Master Resolution and the SRF Bonds, upon issuance and authentication, shall be valid and enforceable against the Board in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights generally; (iv) upon the issuance of the first Series or Installment of SRF Bonds pursuant to the Master Resolution, the Board will not have pledged, granted a lien on or otherwise disposed of the Security for the SRF Bonds except in favor of the General Obligation Match Bonds and the SRF Bonds (including any related Credit Enhancement Agreements); and (v) the adoption and performance of the Master Resolution and issuance of the SRF Bonds are not in contravention of law or any agreement, instrument, indenture or other undertaking to which it is a party or by which it is bound and no other approval, consent or notice from any

governmental agency is required. As further provided for and specified in a Supplemental Resolution, the Board may delegate to an Authorized Representative the ability to effect any and all matters with respect to the Master Resolution. Any determination made by an Authorized Representative has the same force and effect as a determination made by the Board.

Political Subdivision Bonds

(a) The Board represents that it is the owner of the Political Subdivision Bonds within the CWSRF Portfolio Account and the DWSRF Portfolio Account and, except as otherwise provided in the Master Resolution, no other party has a continuing right, title or interest in such Political Subdivision Bonds. The Board covenants that any Political Subdivision Bonds hereafter acquired shall be deposited directly in the CWSRF Portfolio Account or the DWSRF Portfolio Account, as applicable.

(b) The Board covenants that in accordance with State law, if there is a default in the payment of principal of or redemption premium, if any, or interest on such Political Subdivision Bonds or any other default as defined in the proceedings authorizing the issuance of such Political Subdivision Bonds, the Board shall institute or cause the Attorney General of the State to institute appropriate proceedings for mandamus or other legal remedies to compel the defaulting Political Subdivisions or their officers, agents and employees to cure the default.

(c) The Board covenants to maintain and service, or cause to be maintained and serviced, the Political Subdivision Bonds held in the CWSRF Portfolio Account and the DWSRF Portfolio Account, as applicable.

Pledged Revenues

So long as any SRF Bond remains outstanding and unpaid, the Board covenants to collect Pledged SRF Revenues sufficient to pay the principal of, redemption premium, if any, and interest on the SRF Bonds and all payments due and owing under any Credit Enhancement Agreement for the SRF Bonds.

State Revolving Funds

(a) The Board represents that the CWSRF is being, and will continue to be, administered in accordance with the SRF Act and the Federal Clean Water Act and the Board covenants to take any action, or refrain from taking any action, as necessary to administer the CWSRF in accordance with all State and federal laws.

(b) The Board represents that the DWSRF is being, and will continue to be, administered in accordance with the SRF Act and the Federal Drinking Water Act and the Board covenants to take any action, or refrain from taking any action, as necessary to administer the DWSRF in accordance with all State and federal laws.

Credit Enhancement Agreements

The Board may authorize the execution and delivery of one or more Credit Enhancement Agreements for any Series or Installment of SRF Bonds in accordance with the terms or requirements of the Supplemental Resolution specifying the designation of such Series or Program Series of SRF Bonds. Each Installment of SRF Bonds comprising a single Program Series may be secured by the same or by separate Credit Enhancement Agreements, containing such terms and conditions as provided in the Supplemental Resolution specifying the designation of such Program Series.

Reservation of Right to Issue Subordinate Obligations and General Obligation Match Bonds

The Board reserves the right to issue Subordinate Obligations and General Obligation Match Bonds to augment either the CWSRF or the DWSRF, in such amounts, on such dates and having such terms as the Board may determine; provided, that the Subordinate Obligations and the General Obligation Match Bonds shall not be secured by, or payable from any moneys drawn under, any Credit Enhancement Agreement that provides for the payment of or security for the SRF Bonds. The Board further reserves the right execute and deliver a Subordinated Credit Agreement with respect to Subordinate Obligations or General Obligation Match Bonds; provided, that such Subordinated Credit Agreements shall be secured by a lien on and pledge of the Security for the SRF Bonds inferior

to the prior lien on and pledge of the Security for the SRF Bonds in favor of the Bonds and any Credit Enhancement Agreements executed in connection with the issuance of SRF Bonds.

FUNDS AND ACCOUNTS

Fund Accounts; Trust Agreement

(a) The accounts and subaccounts within the CWSRF established under the terms of the CWSRF Master Resolution shall be maintained for so long as the obligations issued or incurred by the Board under the terms of the CWSRF Master Resolution are outstanding. In addition, the Operating Account is established and is held by the Comptroller, as custodian for the Board.

(b) The Board hereby establishes the following accounts and subaccounts within the CWSRF:

(i) the CWSRF Portfolio Account;

(ii) the CWSRF Revenue Account;

(iii) the CWSRF Program Account (and within the CWSRF Program Account the CWSRF Bond Proceeds Subaccount and the CWSRF Equity Subaccount).

(c) The Board hereby establishes the following accounts and subaccounts within the DWSRF:

(i) the DWSRF Portfolio Account;

(ii) the DWSRF Revenue Account;

(iii) the DWSRF Program Account (and within the DWSRF Program Account the DWSRF Bond Proceeds Subaccount and the DWSRF Equity Subaccount).

(d) The Board hereby establishes the following accounts and subaccounts within the CWSRF, for the benefit of the holders of the SRF Bonds, Subordinate Obligations and General Obligation Match Bonds:

(i) the Senior Bond Interest and Sinking Account (and within the Senior Bond Interest and Sinking Account the Senior Interest Subaccount and the Senior Principal Subaccount);

(ii) the Portfolio Redemption Account; and

(iii) the General Obligation Match Bond Interest and Sinking Account.

Portfolio Accounts

All Political Subdivision Bonds and Government Obligations acquired for the CWSRF or the DWSRF will be promptly deposited into the CWSRF Portfolio Account or the DWSRF Portfolio Account, as applicable, and held therein until paid (except as to those Political Subdivision Bonds released pursuant to the provisions of the Master Resolution).

Revenue Accounts

All Pledged CWSRF Revenues and all Pledged DWSRF Revenues shall be credited to the CWSRF Revenue Account or the DWSRF Revenue Account, as applicable, immediately upon receipt by the Comptroller for the account of the Board. All such revenues shall be held therein pending transfer in accordance with the flow of funds provisions of the Master Resolution. Sale Proceeds and Prepayments of SRF Bonds issued to augment the CWSRF or DWSRF shall be held therein and separately accounted for pending transfer.

Senior Bond Interest and Sinking Account and Subaccounts.

Money in the Senior Interest Subaccount shall be used to pay interest on the SRF Bonds, to make any required payments or reimbursements under any Credit Enhancement Agreement relating to interest payments on any SRF Bonds, to pay principal on SRF Bonds issued to fund state matching funds, to pay the fees and expenses of any Fiscal Agent and, except as provided in the next succeeding sentence, to make other payments due and owing under any Credit Enhancement Agreement for or relating to any SRF Bonds. Money in the Senior Principal Subaccount shall be used to pay principal of and redemption premium, if any, on any SRF Bonds on any redemption date (other than the principal of SRF Bonds paid from the Portfolio Redemption Account) or at maturity (other than to pay principal on SRF Bonds issued to fund state matching funds) and to make any required payments or reimbursements under any Credit Enhancement Agreement relating to principal payments on any SRF Bonds.

Money in the Senior Bond Interest and Sinking Account is pledged to secure payment of (i) all SRF Bonds issued under the Master Resolution, (ii) all amounts due and owing under any Credit Enhancement Agreement for or relating to any SRF Bonds and (iii) all fees and expenses of any Fiscal Agent for any Series or Installment of SRF Bonds. The foregoing notwithstanding, Transferred SRF Revenues are not pledged to secure payment of amounts due and owing under any Credit Enhancement Agreement relating to SRF Bonds.

Money in the Senior Bond Interest and Sinking Account and the subaccounts therein shall be used for the payment of amounts due and owing under any Credit Enhancement Agreement for or relating to any SRF Bonds, as provided by the terms of such Credit Enhancement Agreement, on a parity with the SRF Bonds.

Portfolio Redemption Account

To the extent that SRF Bonds or Subordinate Obligations are subject to redemption prior to maturity, subject to certain limitations set forth in the Master Resolution, money in the Portfolio Redemption Account shall be used for the purpose of paying the principal of SRF Bonds and Subordinate Obligations, in whole or in part on any Business Day, at a redemption price equal to the principal amount of the SRF Bonds or Subordinate Obligations to be redeemed plus accrued and unpaid interest thereon to the redemption date.

General Obligation Match Bond Interest and Sinking Account

Money in the General Obligation Match Bond Interest and Sinking Account shall be used for transfer pursuant to the Transfer Resolutions for the payment of principal of and interest on General Obligation Match Bonds, the proceeds of which were deposited into the CWSRF or the DWSRF, as the case may be.

Operating Account

The Operating Account has been established by the Board, and shall be maintained for so long as any SRF Bonds or Credit Enhancement Agreements remain outstanding and in effect. Money in the Operating Account shall be used to pay Operating Expenses in accordance with the provisions of the Master Resolution.

Program Accounts

Proceeds from the sale of SRF Bonds to be used to finance the acquisition of Political Subdivision Bonds purchased for the CWSRF Portfolio Account or the DWSRF Portfolio Account, as the case may be, shall be deposited to the credit of the CWSRF Bond Proceeds Subaccount of the CWSRF Program Account or the DWSRF Bond Proceeds Subaccounts of the DWSRF Program Account, as applicable. Money in such accounts shall be used (i) to purchase Political Subdivision Bonds for the CWSRF or DWSRF Portfolio Account, as applicable, (ii) to purchase insurance for Political Subdivision Bonds purchased for the CWSRF Portfolio Account or the DWSRF Portfolio Account, as applicable, (iii) as a source of revenue for the payment or prepayment of SRF Bonds (and any related Credit Enhancement Agreements), General Obligation Match Bonds and Subordinate Obligations, all for the purpose of providing financial assistance in accordance with the Federal Clean Water Act, the Federal Drinking Water Act, the SRF Act and (with respect to amounts in the CWSRF Program Account derived from CWSRF General Obligation Match Bond proceeds and in the DWSRF Program Account derived from DWSRF General Obligation Match Bond proceeds) the applicable provisions of Chapter 17, Texas Water Code, and the resolutions authorizing the issuance of

such CWSRF General Obligation Match Bonds or DWSRF General Obligation Match Bonds, (iv) to provide loan guaranties consistent with the provisions of the SRF Act, and (v) for such other authorized purposes as the Board shall determine from time to time, including, without limitation, the transfer of money to provide security for Other SRF Obligations, but solely to the extent that such purposes are in accordance with the foregoing authorities. In addition, to the extent required by any Supplemental Resolution, the Board may use money in the CWSRF Bond Proceeds Subaccount of the CWSRF Program Account or DWSRF Bond Proceeds Subaccount of the DWSRF Program Account, as applicable, to pay rebate amounts to the federal government.

Money shall be deposited to the credit of the CWSRF Equity Subaccount of the CWSRF Program Account or the DWSRF Equity Subaccount of the DWSRF Program Account, as applicable, pursuant to the flow of funds provision of the Master Resolution. Money in such accounts shall be used (i) to purchase Political Subdivision Bonds for the CWSRF Portfolio Account or DWSRF Portfolio Account, as applicable, (ii) to purchase insurance for Political Subdivision Bonds purchased for the CWSRF Portfolio Account or DWSRF Portfolio Account, as applicable, (iii) except as otherwise provided in the Master Resolution, as a source of revenue for the payment or prepayment of SRF Bonds (and any related Credit Enhancement Agreements), General Obligation Match Bonds and Subordinate Obligations, (iv) to provide loan guaranties consistent with the provisions of the SRF Act, and (v) for such other authorized purposes as the Board shall determine from time to time; provided, that the use of money in accordance with clause (iii) above shall be solely for the purpose of providing financial assistance in accordance with the Federal Clean Water Act, the Federal Drinking Water Act, the SRF Act and (with respect to amounts in the CWSRF Program Account derived from CWSRF General Obligation Match Bond proceeds and in the DWSRF Program Account derived from DWSRF General Obligation Match Bond proceeds) the applicable provisions of Chapter 17, Texas Water Code, and the resolutions authorizing the issuance of such CWSRF General Obligation Match Bonds or DWSRF General Obligation Match Bonds. The foregoing notwithstanding, Restricted Repayments shall be determined by an Authorized Representative on the last Business Day of a Fiscal Year, and may not be used as a source of revenue for the payment or prepayment of SRF Bonds (and any related Credit Enhancement Agreements) and Subordinate Obligations (and any related Subordinated Credit Agreements), other than the SRF Bonds or Subordinate Obligations that funded the purchase of Political Subdivision Bonds from which the Restricted Repayments were derived, unless the Board receives an opinion of Bond Counsel substantially to the effect that such use of Restricted Repayments will not adversely affect the excludability from gross income of the interest payable on such SRF Bonds or Subordinate Obligations then outstanding.

Interest and Sinking Accounts for Subordinate Obligations

By resolutions adopted by the Board authorizing the issuance of Subordinate Obligations, the Board shall establish accounts and subaccounts to be used to pay principal of and interest on Subordinate Obligations.

Flow of Funds

(a) The transfers of CWSRF revenues shall first be made in satisfaction of the conditions set forth in the CWSRF Master Resolution. Transfers of revenues from the Clearance Account established pursuant to the CWSRF Master Resolution to the CWSRF Revenue Account and the DWSRF Revenue Account, as the case may be, shall be treated as Transferred SRF Revenues, and shall be transferred in the manner described below.

(b) On the last Business Day of each month (each, a “Transfer Date”), the Board shall transfer (i) Transferred SRF Revenues, (ii) Designated Pledged CWSRF Revenues from the CWSRF Revenue Account as determined by an Authorized Representative, and (iii) Designated Pledged DWSRF Revenues from the DWSRF Revenue Account as determined by an Authorized Representative, and deposit the same to the credit of the following accounts and subaccounts, in the amounts and in the order of priority as follows:

FIRST, to the extent moneys from any Transferred SRF Revenues are available and necessary to be used for this purpose, amounts as directed by an Authorized Representative, to be deposited to the Senior Interest Subaccount or the Senior Principal Subaccount, or both, for the payment of interest on and principal of outstanding SRF Bonds, subject, however, to the Coverage Requirement for SRF Bonds provisions of the Master Resolution;

SECOND, to the Senior Interest Subaccount, the amount necessary to cause the balance on deposit therein to be equal to the sum of the following: (i) the amount necessary to cause the balance on deposit therein to be no less than the amount of accrued and unpaid interest on all outstanding SRF Bonds; plus (ii) the amount that an Authorized Representative estimates as being the total amount that will be payable by the Board, for payment of the fees of any Fiscal Agent for a Series or Installment of SRF Bonds; provided, that the total amount transferred to the Senior Interest Subaccount as of the Transfer Date immediately preceding any Interest Payment Date shall be the amount necessary to cause the amount on deposit in such account to equal the interest payable on outstanding SRF Bonds on such Interest Payment Date; provided, further, that only Repayments which consist of interest (but not principal), and amounts received by the Board as income, profits, or gain on investments, shall be used to fund the payment of accrued and unpaid interest on all outstanding SRF Bonds, the proceeds of which were used to provide state matching funds under the Federal Clean Water Act or the Federal Drinking Water Act; and notwithstanding the foregoing, if the Board has entered into a Credit Enhancement Agreement, then, to the extent that payments due from the Board under such Credit Enhancement Agreement are to be paid from the Senior Interest Subaccount, such payments shall be included in calculating the amounts described in clause (i) above, and amounts due from the Person who is the counterparty to such agreement shall be excluded from such calculation;

THIRD, to the Senior Principal Subaccount, an amount equal to the amount that, in conjunction with amounts transferred on each subsequent Transfer Date, would be equal to no less than the total amount of principal of and redemption premium, if any, payable at maturity or upon redemption (excluding any redemption with money in the Portfolio Redemption Account) of outstanding SRF Bonds during the next twelve (12) months: provided, that the total amount transferred to the Senior Principal Subaccount as of the Transfer Date immediately preceding any maturity or redemption date, pursuant to this THIRD provision, shall be the amount necessary to cause the amount on deposit in such account to equal the principal of and redemption premium, if any, payable on such SRF Bonds on such maturity or redemption date (but, excluding amounts payable from the Portfolio Redemption Account); provided, further, that only Repayments which consist of interest (but not principal), and amounts received by the Board as income, profits, or gain on investments, shall be used to fund the payment of principal of and redemption premium, if any, payable on such maturity or redemption date (but, excluding amounts payable from the Portfolio Redemption Account) on all outstanding SRF Bonds, the proceeds of which were used to provide state matching funds under the Federal Clean Water Act or the Federal Drinking Water Act; and notwithstanding the foregoing, if the Board has entered into a Credit Enhancement Agreement, then, to the extent that payments due from the Board under such Credit Enhancement Agreement are to be paid from the Senior Principal Subaccount such payments shall be included in calculating the amounts described in this THIRD provision, and amounts due from the Person who is the counterparty to such agreement shall be excluded from such calculation;

FOURTH, amounts determined by an Authorized Representative to be deposited to the credit of a reserve fund, account or subaccount established by the terms of a Supplemental Resolution securing the payment of a Series or Installment of SRF Bonds;

FIFTH, to the extent moneys from any Transferred SRF Revenues are available and necessary to be used for this purpose, amounts determined by an Authorized Representative to be deposited to the designated accounts or subaccounts for the payment of interest on and principal of outstanding Subordinate Obligations, subject, however, to the Coverage Requirement for SRF Bonds provisions of the Master Resolution;

SIXTH, to the extent required by any resolution or other instrument adopted or approved by the Board pursuant to which Subordinate Obligations are issued, the amount necessary, together with other available revenues, to provide for the payment of the principal of and redemption premium, if any, and interest on such Subordinate Obligations and to accumulate or restore any required reserves established to ensure payment of such principal, redemption premium and interest;

SEVENTH, to the General Obligation Match Bond Interest and Sinking Account, the amount required to be transferred pursuant to the Transfer Resolutions for the payment of principal of and interest on General Obligation Match Bonds; provided, however, that transfers to the General Obligation Match Bond Interest and Sinking Account during any Fiscal Year shall only be made from (i) the interest component of

all Repayments received on Political Subdivision Bonds during such Fiscal Year and (ii) all amounts received by the Board as income, profits or gain on investments of money held in the CWSRF and the DWSRF;

EIGHTH, subject to certain conditions in the Master Resolution regarding fully funded accounts, to the Operating Account, all remaining Designated Pledged SRF Revenues; provided, that the amount of Designated Pledged SRF Revenues deposited into the Operating Account shall not exceed the amount of Designated Pledged SRF Revenues that may be deposited therein under the Federal Clean Water Act or the Federal Drinking Water Act, as the case may be; provided, further, that any amounts to be transferred under this EIGHTH provision shall be identified by an Authorized Representative as provided in the Master Resolution;

NINTH, amounts determined by an Authorized Representative to be deposited to the credit of the interest and sinking fund securing the payment of obligations issued for the purpose of augmenting any Additional State Revolving Fund, as permitted in the Master Resolution; and

TENTH, all remaining Designated Pledged SRF Revenues shall be transferred, as determined by an Authorized Representative, to the CWSRF Equity Subaccount of the CWSRF Program Account and the DWSRF Equity Subaccount of the DWSRF Program Account, in such amounts so determined by an Authorized Representative.

Expense Accounts

The Board establishes the CWSRF Expense Account and the DWSRF Expense Account, each to be held by the Comptroller outside the State Treasury, separate and apart from all other funds and accounts of the Comptroller, including the other accounts within the CWSRF or the DWSRF, in escrow and in trust for and on behalf of the Board. Amounts on deposit in such accounts shall consist of (i) funds received by the Board from federal capitalization grants under the Federal Clean Water Act or the Federal Drinking Water Act available to pay Operating Expenses, in an amount not to exceed the amounts permitted by the Federal Clean Water Act or Federal Drinking Water Act from such federal capitalization grants received by the Board and (ii) fees and charges collected by the Board from Political Subdivisions pursuant to Title 31, Texas Administrative Code, Sections 364.209 and 375.21, and Section 15.609 of the SRF Act for the purposes therein stated. Moneys on deposit in the CWSRF Expense Account do not constitute a Pledged CWSRF Revenue. Moneys on deposit in the DWSRF Expense Account do not constitute a Pledged DWSRF Revenue. The Board covenants to use amounts on deposit in the CWSRF Expense Account to pay Operating Expenses of the CWSRF, and to use amounts on deposit in the DWSRF Expense Account to pay Operating Expenses of the DWSRF.

Sale Proceeds and Prepayments

The Board shall separately account for Sale Proceeds and Prepayments within the CWSRF Revenue Account and the DWSRF Revenue Account, such that the Board is able to trace Sale Proceeds to the specific series or installment of SRF Bonds, Subordinate Obligations or General Obligation Match Bonds to which they relate. The Board will follow the procedures in the Master Resolution that relate to federal tax implications of Sale Proceeds and Prepayments.

Deficiencies

If on any occasion there shall not be sufficient Designated Pledged SRF Revenues to make the required deposits into the Senior Interest Subaccount and the Senior Principal Subaccount, then such deficiency shall be made up as soon as possible from the next available Designated Pledged SRF Revenues, or from any other source available for such purpose.

Investments

Cash held as a part of the CWSRF or the DWSRF shall be invested and reinvested in Permitted Investments as instructed by an Authorized Representative; provided, that the Board covenants to assure that all investments shall be made in such manner that the money required to be expended from any such account or subaccount of the CWSRF

or the DWSRF will be available at the time or times such expenditure(s) must be made. All Permitted Investments shall be held by or under the control of the Comptroller and shall be deemed at all times a part of the account or subaccount which was used to purchase the same; provided, that all amounts received by the Board as income, profits or gains on such investments shall constitute Pledged SRF Revenues and shall be deposited as received in the CWSRF Revenue Account or the DWSRF Revenue Account, as applicable. The Comptroller is authorized to cause to be sold and reduced to cash a sufficient amount of Permitted Investments whenever an Authorized Representative directs the Comptroller to cause such a sale if such Authorized Representative determines that the cash balance in any account or subaccount is or will be insufficient to make any requested or required disbursement. The Comptroller shall not be responsible for any depreciation in the value of any Permitted Investments or for any loss resulting from such sale. Absent specific instructions from an Authorized Representative to invest cash balances in Permitted Investments hereunder, the Comptroller may invest in Permitted Investments but shall be under no obligation to do so. The foregoing notwithstanding, amounts on deposit in the CWSRF Expense Account and the DWSRF Expense Account shall be invested and reinvested in Permitted Investments as instructed by an Authorized Representative, in a manner not inconsistent with the provisions of the Federal Clean Water Act, in the case of the CWSRF Expense Account, and the Federal Drinking Water Act, in the case of the DWSRF Expense Account.

DISCHARGE OF LIEN

Discharge of Lien and Security Interest

Upon payment in full of all of the SRF Bonds and of all amounts owing under all Credit Enhancement Agreements, the pledge and lien on the Security for the SRF Bonds arising under the Master Resolution shall cease, terminate and be void; provided, however, that such discharge of the Master Resolution shall not terminate the powers and rights granted to, or the obligation of the Board to secure the services of, a Fiscal Agent with respect to the payment, transfer and exchange of the SRF Bonds.

Provision for Payment of SRF Bonds

All or any portion of the SRF Bonds shall be deemed to have been paid, retired and no longer outstanding if:

(i) there shall have been irrevocably deposited in the Senior Bond Interest and Sinking Account either (A) sufficient money, or (B) Defeasance Obligations, of such maturities and interest payment dates and bearing such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon (said earnings also to be held in trust), be sufficient (as confirmed by a report of an independent certified public accountant or firm of certified public accountants) together with any money referred to in (A) above, for the payment at their respective maturities or redemption dates prior to maturity of the principal thereof and the redemption premium (if any) and interest to accrue thereon at such maturity or redemption dates, as the case may be;

(ii) there shall have been paid or provision duly made for the payment of all fees and expenses of any Fiscal Agent for such SRF Bonds due or to become due; and

(iii) if any such SRF Bonds are to be redeemed on any date prior to their maturity, the Fiscal Agent shall have received in form satisfactory to it irrevocable instructions from an Authorized Representative to redeem such SRF Bonds on such date and irrevocable power authorizing the Fiscal Agent to give such redemption notices.

Limitations elsewhere specified in the Master Resolution regarding the investment of money held by the Fiscal Agent in the Senior Bond Interest and Sinking Account shall not be construed to prevent the depositing and holding in the Senior Bond Interest and Sinking Account of the obligations described in the preceding subparagraph (i)(B) for the purpose of defeasing the lien of the Master Resolution as to SRF Bonds which have not yet become due and payable. In addition, all money so deposited with the Fiscal Agent may also be invested and reinvested, at the direction of an Authorized Representative, in Defeasance Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Defeasance Obligations in the hands of the Fiscal Agent pursuant to the Master Resolution which is not required for the payment of the SRF Bonds and interest and redemption premium, if any, thereon with respect to which such money shall have been so deposited shall be deposited in the Senior Bond Interest and Sinking Account as and when realized and collected for use and application as are other money deposited in the Senior Bond Interest and Sinking Account.

SRF Bonds issued as variable rate obligations shall be deemed to be paid and discharged only if the amount held under (A) or (B) above shall be sufficient to provide for the payment of such SRF Bonds assuming the highest possible interest rate on such SRF Bonds (as established in accordance with the proceedings authorizing the issuance of such SRF Bonds) to the earlier of the first tender or redemption date therefor.

In the proceedings providing for the payment of SRF Bonds at their stated maturity or maturities in accordance with the Master Resolution, any determination not to redeem such SRF Bonds may be made revocable by the Board and the Board may reserve the right to redeem such SRF Bonds on any date that such SRF Bonds would have been subject to redemption at the option of the Board in accordance with the proceedings that authorized the issuance of such SRF Bonds.

In addition to or in lieu of the provisions for payment set forth above, SRF Bonds of any Series or Installment may be defeased in any manner provided in the Supplemental Resolution authorizing the issuance of such Series or Installment of SRF Bonds.

DEFAULT PROVISIONS AND REMEDIES

Events of Default

Any one of the following shall constitute an Event of Default under the Master Resolution:

(a) Default in the payment of any interest on any SRF Bond when and as the same shall have become due and payable;

(b) Default in the payment of the principal of or any redemption premium on any SRF Bond when and as the same shall become due, whether at the stated maturity date or the redemption or tender date thereof (pursuant to any mandatory sinking fund requirement or purchase obligation set forth in a Supplemental Resolution);

(c) Default in the observance or performance of any other of the covenants, agreements or conditions on the part of the Board included in the Master Resolution or any Supplemental Resolution or in the SRF Bonds and the continuance thereof for a period of thirty (30) days after written notice to the Board and the Credit Enhancement Providers, if any, given by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the outstanding SRF Bonds; or

(d) The occurrence of any Event of Default under a Supplemental Resolution (which may include events of default in connection with a Credit Enhancement Agreement authorized by a Supplemental Resolution).

The Fiscal Agent shall provide notice of an Event of Default pursuant to such provisions in the Master Resolution.

AMENDMENTS

Amendments to Master Resolution Not Requiring Consent of Bondholders or Confirmation of SRF Bond Ratings

The Board, without the consent of or notice to any Bondholder, may adopt amendments to the Master Resolution (or any Supplemental Resolution) which do not materially adversely affect the interests of the Bondholders for one or more of the following purposes:

(i) To grant to or confer upon the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders;

(ii) To grant or pledge to the Bondholders any additional security other than that granted or pledged under the Master Resolution;

(iii) To amend the Master Resolution or any resolution amendatory hereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute then in effect or to permit the qualification of the SRF Bonds for sale under the securities laws of any of the states of the United States;

(iv) To amend the Master Resolution for the purpose of obtaining the approval of SRF Bonds by the Office of the Attorney General of the State or obtaining or retaining a rating on the SRF Bonds from a Rating Agency;

(v) To amend the Master Resolution as may be necessary or convenient in connection with the book-entry system for payments, transfers and other matters relating to the SRF Bonds;

(vi) To cure any ambiguity or to correct or supplement any provision contained herein or in any amendatory resolution which may be defective or inconsistent with any provision contained herein or in any amendatory resolution, or to make such other provisions in regard to matters or questions arising under the Master Resolution which shall not materially adversely affect the interests of the Bondholders;

(vii) To make any change therein necessary, in the opinion of Bond Counsel, to maintain the exclusion from gross income for federal income tax purposes of the interest on any outstanding SRF Bonds;

(viii) To increase the maximum aggregate principal amount of SRF Bonds authorized to be issued during any Program Period or change the Program Termination Date for any Program Series;

(ix) To make any change or modification in the terms and conditions of any Program Series established pursuant to a Supplemental Resolution to the extent that such change or modification (A) is not inconsistent with the terms and conditions of the Master Resolution and (B) affects only those Installments of SRF Bonds of such Program Series that have not been issued and delivered to the initial purchasers thereof on the effective date of such change or modification;

(x) To modify any of the provisions of the Master Resolution in any other respect whatever, provided, that such modification shall be, and be expressed to be, effective only after all SRF Bonds outstanding at the date of the adoption of such modification shall cease to be outstanding; or

(xi) To the extent permitted by applicable law, to facilitate the economic and practical utilization of Credit Enhancement Agreements with respect to all or any portion of the SRF Bonds.

Prior to the effective date of any such amendment, a copy of such amendment shall be promptly furnished to the Fiscal Agents and Credit Enhancement Providers of any Credit Enhancement Agreements then in effect. The Attorney General of the State shall approve such amendment or advised the Board that such approval is not necessary for such amendment to become effective. The Board may also rely on an opinion of Bond Counsel to the effect that the approval of the Attorney General is not necessary for such amendment to become effective.

Amendments Requiring Majority Consent of Bondholders or Confirmation of Ratings

The Board may adopt such other amendments as the Board in its sole discretion may determine for the purpose of modifying, altering, amending, adding to or rescinding any of the terms or provisions contained in the Master Resolution or in any amendatory resolution if:

(a) the Bondholders of a majority of the principal amount of outstanding SRF Bonds consent to such amendment; or

(b) each Rating Agency provides written confirmation to the Board that the rating or ratings assigned by the Rating Agency to the Board's then outstanding SRF Bonds will not be lowered, reduced or withdrawn as a result of the amendment to be enacted.

Notwithstanding the foregoing, nothing shall permit, or be construed as permitting, without the consent of the Bondholders of one hundred percent (100%) of the principal amount of SRF Bonds outstanding (a) an extension of the maturity of the principal of or the mandatory redemption date of, or interest payment date on, any SRF Bond, (b)

a reduction in the principal amount of, or the redemption premium or the rate of interest on, any SRF Bond, (c) a preference or priority of any SRF Bond or SRF Bonds over any other SRF Bond or SRF Bonds, (d) the creation of a lien prior to the lien of the Master Resolution, or (e) a reduction in the aggregate principal amount of the SRF Bonds required for any consent to any amendment.

Prior to the effective date of any such amendment, the Board shall give notice of such amendment by United States mail, first-class postage prepaid, to the last known holders of the outstanding SRF Bonds (whose consent is so required) then shown on the registration books for the SRF Bonds. Such notice shall briefly set forth the nature of the proposed amendment or other action and shall state that copies of any such amendment or other document are on file at the office of the Board and the principal office of the Fiscal Agent for inspection by all Bondholders. If, within sixty (60) days or such longer period as shall be prescribed by the Board following the mailing of such notice, the holders of the requisite principal amount of the SRF Bonds outstanding by instruments filed with the Board shall have consented to the amendment or other proposed action, then the Board may adopt or execute, as appropriate, such amendment or other document or take such proposed action and the consent of the Bondholders shall thereby be conclusively presumed. Notwithstanding the foregoing, while the beneficial ownership of any Series of SRF Bonds is determined by a book-entry system, delivery of notice and evidence of consent for such Series of SRF Bonds will be in accordance with arrangements among the Board, the Fiscal Agent and the securities depository. Any notice so give shall set forth the text of the amendment and state that each Rating Agency has advised the Board that the rating or ratings assigned by the Rating Agency to the Board's then outstanding SRF Bonds will not be lowered, reduced or withdrawn as a result of any amendment to be enacted. Additionally, prior to the effective date of any amendment authorized pursuant to this section, a copy of such amendment shall be promptly furnished to the Fiscal Agents and Credit Enhancement Providers of any Credit Enhancement Agreements then in effect.

Supplemental Resolutions

Notwithstanding any provision of the Master Resolution to the contrary, the Board, without notice to or consent of the Bondholders or the Credit Enhancement Providers of any Credit Enhancement Agreements then in effect, may adopt Supplemental Resolutions not inconsistent with the provisions of the Master Resolution (i) authorizing the issuance and specifying the designation, and aggregate principal amount, of any Series (or Program Series) of SRF Bonds, (ii) providing for one or more Credit Enhancement Agreements for the SRF Bonds of such Series (or Program Series), (iii) appointing one or more Fiscal Agents (and specifying their respective duties and responsibilities) for such SRF Bonds and (iv) taking other appropriate action relating to the issuance of SRF Bonds hereunder.

CROSS COLLATERALIZATION; CONDITIONS TO TRANSFER FUNDS TO OR FROM AN ADDITIONAL STATE REVOLVING FUND; RELEASE OF POLITICAL SUBDIVISION BONDS FROM PORTFOLIO ACCOUNTS

Cross Collateralization

Subject to the provisions of the CWSRF Master Resolution and any supplemental resolution authorizing the issuance of bonds and the issuance of credit agreement obligations currently outstanding under the CWSRF Master Resolution, it is the express intent of the Board that the Security for the SRF Bonds shall secure obligations of the Board issued or incurred to augment the CWSRF, the DWSRF and any Additional State Revolving Fund in the manner described in the Master Resolution. The Board covenants not to issue or incur additional obligations under the terms of the CWSRF Master Resolution.

Requests for Transfers from Additional State Revolving Fund

If an Authorized Representative determines, no later than one Business Day prior to a Transfer Date, that the Coverage Requirement for SRF Bonds will not be maintained, the Authorized Representative shall deliver to the Board an executed certificate that (a) declares that the Coverage Requirement for SRF Bonds cannot be maintained, (b) states the amount of Transferred SRF Revenues to be transferred from any Additional State Revolving Fund for deposit the Senior Interest Subaccount and the Senior Principal Subaccount, (c) states the accounts or subaccounts into which Transferred SRF Revenues shall be deposited, and (d) certifies that during any Fiscal Year after such

transfer that the transfer will not result in the revenues for the obligations secured by such revenues of such Additional State Revolving Fund being less than the “coverage requirement” pertaining to those obligations so secured.

Release of Political Subdivision Bonds

The Board The Board may release Political Subdivision Bonds from the lien of the Master Resolution, upon the delivery of a certificate to the Board executed by an Authorized Representative (A) specifying the Political Subdivision Bonds to be released from the CWSRF Portfolio Account or the DWSRF Portfolio Account, as the case may be, and (B) certifying that cash flow reports evidence the sufficiency of available Designated Pledged SRF Revenues from the remaining Political Subdivision Bonds being no less than 140% of the Annual Debt Service Requirements for Covered Debt in any Fiscal Year.

Amendments to Political Subdivision Bonds

The Board shall not consent to the amendment of the terms of a Political Subdivision Bond unless an Authorized Representative determines that such amendment will not result in the Designated Pledged SRF Revenues during any Fiscal Year being less than 140% of the Annual Debt Service Requirements for Covered Debt.

SUMMARY OF THE FIRST SUPPLEMENTAL RESOLUTION

SUBACCOUNTS

Establishment and Use of Subaccounts

(a) Under the terms of the Master Resolution, the Board has established with the Comptroller the Senior Bond Interest and Sinking Account, and therein the Senior Interest Subaccount and the Senior Principal Subaccount. There is hereby created within the Senior Interest Subaccount separate subaccounts entitled the “Texas Water Development Board Clean Water State Revolving Fund Revenue Bonds Series 2018 Interest Subaccount” (the “CWSRF Series 2018 Interest Subaccount”) and the “Texas Water Development Board Drinking Water State Revolving Fund Revenue Bonds Series 2018 Interest Subaccount” (the “DWSRF Series 2018 Interest Subaccount”). There is hereby created within the Senior Principal Subaccount entitled the “Texas Water Development Board Clean Water State Revolving Fund Revenue Bonds Series 2018 Principal Subaccount” (the “CWSRF Series 2018 Principal Subaccount”) and the “Texas Water Development Board Drinking Water State Revolving Fund Revenue Bonds Series 2018 Principal Subaccount” (the “DWSRF Series 2018 Principal Subaccount”).

(b) Money in each of the subaccounts in (a) above shall be transferred by the Board, consistent with the provisions of the Master Resolution, to the Agent, to be held in trust by the Agent for the holders of Series 2018 Bonds by the Agent and, except as otherwise provided herein, shall be used solely for the timely payment of the interest on the Series 2018 Bonds and for the timely payment of principal of and redemption premium, if any, on the Series 2018 Bonds upon maturity or upon mandatory or optional redemption (but, excluding redemption with money in the Portfolio Redemption Account).

(c) Designated CWSRF Pledged Revenues (1) shall be deposited to the credit of the CWSRF Series 2018 Interest Subaccount and used to pay interest on the Series 2018 Bonds issued to augment the CWSRF (including the provision of state matching funds) when due and payable and (2) shall be deposited to the credit of the CWSRF Series 2018 Principal Subaccount and used to pay principal of the Series 2018 Bonds issued to augment the CWSRF when due and payable; provided, the principal of and interest on CWSRF Match Bonds will be payable solely from Designated CWSRF Pledged Revenues which consist of Repayments that are interest (but not principal) and amounts received by the Board as income, profits or gain on investments.

(d) No later than the last Business Day of the month next preceding a Principal Payment or an Interest Payment Date on the Series 2018 Bonds, if an Authorized Representative determines that Designated CWSRF Pledged Revenues will not be sufficient to provide for the payment in full of the principal of and interest on the Series 2018 Bonds issued to augment the CWSRF when due and payable, the Authorized Representative will take such action as is permitted in the Master Resolution and applicable federal law to transfer available Designated DWSRF Pledged Revenues for deposit to the credit of the CWSRF Series 2018 Interest Subaccount or to the credit of the CWSRF Series 2018 Principal Subaccount, as the case may be, to fund the deficiency to enable the timely payment of principal of and interest on such Series 2018 Bonds; provided, that no Designated DWSRF Pledged Revenues which consist of Repayments that constitute repayments of principal shall be used to pay debt service on CWSRF Match Bonds.

(e) Designated DWSRF Pledged Revenues (1) shall be deposited to the credit of the DWSRF Series 2018 Interest Subaccount and used to pay interest on the Series 2018 Bonds issued to augment the DWSRF (including the provision of state matching funds) when due and payable and (2) shall be deposited to the credit of the DWSRF Series 2018 Principal Subaccount and used to pay principal of the Series 2018 Bonds issued to augment the DWSRF when due and payable; provided, the principal of and interest on DWSRF Match Bonds will be payable solely from Designated DWSRF Pledged Revenues which consist of Repayments that are interest (but not principal) and amounts received by the Board as income, profits or gain on investments.

(f) No later than the last Business Day of the month next preceding a Principal Payment or an Interest Payment Date on the Series 2018 Bonds, if an Authorized Representative determines that Designated DWSRF Pledged Revenues will not be sufficient to provide for the payment in full of the principal of and interest on the Series 2018

Bonds issued to augment the DWSRF when due and payable, the Authorized Representative will take such action as is permitted in the Master Resolution and applicable federal law to transfer available Designated CWSRF Pledged Revenues for deposit to the credit of the DWSRF Series 2018 Interest Subaccount or to the credit of the DWSRF Series 2018 Principal Subaccount, as the case may be, to fund the deficiency to enable the timely payment of principal of and interest on such Series 2018 Bonds; provided, that no Designated CWSRF Pledged Revenues which consist of Repayments that constitute repayments of principal shall be used to pay debt service on DWSRF Match Bonds.

(g) On or before the first scheduled Interest Payment Date, and on or before each Interest Payment Date and Principal Payment Date thereafter while any Series 2018 Bond is outstanding and unpaid, the Board shall make available to the Agent from the subaccounts described above moneys sufficient to pay such interest on and such principal amount of the Series 2018 Bonds, as shall become due on such Interest Payment Dates and Principal Payment Dates.

Discharge of the Master Resolution

Notwithstanding the fact that the lien of the Master Resolution upon the Security for the SRF Bonds may have been discharged and canceled in accordance with the provisions of the Master Resolution, the Master Resolution and the rights granted and duties imposed thereby, to the extent not inconsistent with the fact that the lien upon the Security for the SRF Bonds may have been discharged and canceled, shall nevertheless continue and subsist after payment in full of the Series 2018 Bonds until the Agent shall have returned to the Board all funds held by the Agent pursuant to “—*Establishment and Use of Subaccounts*”, above.

Records

The Board shall cause to be kept and maintained records pertaining to the accounts and subaccounts established in the First Supplemental Resolution and in the Master Resolution and all disbursements therefrom.

Investment of Subaccounts

Cash held as part of the subaccounts created in the First Supplemental Resolution shall be invested and reinvested by the Agent in Permitted Investments in accordance with the written instructions of an Authorized Representative; provided, that the Board covenants to assure that all investments shall be made in such manner that the money required to be expended from such funds will be available at the proper time or times; and provided, further, that any money held by the Agent to pay the principal of, premium, if any, or interest which has become payable with respect to the Series 2018 Bonds shall not be invested.

All Permitted Investments shall be deemed at all times a part of the subaccount which was used to purchase the same. All interest accruing thereon and any profit realized from Permitted Investments shall be credited and any loss resulting from Permitted Investments shall be similarly charged to the fund or account for which such investment is held. The Board may cause Permitted Investments to be sold and reduced to cash whenever the cash balance in any subaccount is or will be insufficient to make any required disbursement.

ADMINISTRATION OF THE FINANCING PROGRAM

Qualifications of Agent; Resignation; Removal

i. The Board covenants with the owners of the Series 2018 Bonds that at all times while the Series 2018 Bonds are outstanding the Board will provide a competent and legally qualified bank, trust company or other financial institution to act as and perform the services of Agent for the Series 2018 Bonds under the First Supplemental Resolution. The Agent shall be a commercial bank or a trust company duly organized under the laws of the United States of America or any state or territory thereof, having a combined capital stock, surplus and undivided profits of at least \$50,000,000, having trust powers and authorized by law to perform all the duties imposed upon it by the First Supplemental Resolution. Until otherwise designated in writing by the Agent to the Board, the principal office of the Agent for all purposes hereof shall be the office of the Agent identified in the First Supplemental Resolution at which all deliveries to the Agent hereunder shall be made and any and all notices and other communications in connection herewith shall be delivered. The Agent may at any time resign and be discharged of the duties and obligations created

by the First Supplemental Resolution by giving at least sixty (60) days' notice to the Board. The Agent may be removed at any time, at the discretion of the Board, by an instrument, signed by an Authorized Representative, filed with such Agent. The resignation or removal of the Agent, as provided above, shall not be effective until a successor to the Agent has been appointed by the Board.

ii. In the event of the resignation or removal of the Agent, the Agent shall deliver any money and any Series 2018 Bonds and its related books and records held by it in such capacity to its successor.

Instruments of Bondholders

Any instrument required by the First Supplemental Resolution to be executed by Bondholders may be in any number of writings of similar tenor and may be executed by Bondholders in person or by agent appointed in writing. Proof of the execution of any such instrument or of the writing appointing any such agent and of the ownership of Series 2018 Bonds given in any of the following forms shall be sufficient for any of the purposes of the First Supplemental Resolution: (i) a certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof; or (ii) a certificate executed by any trust company or bank stating that at the date thereof the party named therein did exhibit to an officer of such trust company or bank, as the property of such party, the Series 2018 Bonds therein mentioned.

The Agent may rely on such an instrument of Bondholders unless and until the Agent receives notice in the form specified in clause (i) or (ii) above that the original such instrument is no longer reliable. In the event that the Agent shall receive conflicting directions from two or more groups of Bondholders, each with combined holdings of not less than 25% of the principal amount of outstanding Series 2018 Bonds, the directions given by the group of Bondholders which hold the largest percentage of Series 2018 Bonds shall be controlling and the Agent shall follow such directions to the extent required herein.

CONTINUING DISCLOSURE UNDERTAKING

Annual Reports

The Board shall provide annually to the MSRB, within 195 days after the end of each Fiscal Year ending in or after 2018, financial information and operating data with respect to the Board of the general type included in the final Official Statement authorized by the First Supplemental Resolution, being the information described in Exhibit F to the First Supplemental Resolution. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in Exhibit F to the First Supplemental Resolution and (2) audited, if the Board commissions an audit of such statements and the audit is completed within twelve months after the end of each Fiscal Year ending in or after 2018. If audited financial statements are not available at the end of the twelve month period, then the Board will provide notice that the audited financial statements are not available, will provide unaudited financial statements by the end of the twelve month period and will provide audited financial statements for the applicable fiscal year to the MSRB, when and if the audited financial statements become available.

If the Board changes its Fiscal Year, it will notify the MSRB of the change (and of the date of the new Fiscal Year end) prior to the next date by which the Board otherwise would be required to provide financial information and operating data.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC. Filings shall be made electronically, in such format specified by the MSRB.

Disclosure Event Notices

The Board shall notify the MSRB, in a timely manner, not in excess of ten Business Days after the occurrence of any of the following events, with respect to the Series 2018 Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2018 Bonds, or other events affecting the tax status of the Series 2018 Bonds;
7. Modifications to rights of holders of the Series 2018 Bonds, if material;
8. Series 2018 Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Series 2018 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. Appointment of a successor Agent or change in name of the Agent, if material.

The Board shall notify the MSRB, in a timely manner, of any failure by the Board to provide financial information or operating data in accordance with “—*Annual Reports*”, above, by the time required by such section. As used in clause 12 above, the phrase “bankruptcy, insolvency, receivership or similar event” means the appointment of a receiver, fiscal agent or similar officer for the Board in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if jurisdiction has been assumed by leaving the Board and officials or officers of the Board in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board.

Limitations, Disclaimers and Amendments

The Board shall be obligated to observe and perform the covenants specified in “Article VII - CONTINUING DISCLOSURE UNDERTAKING”, above, for so long as, but only for so long as, the Board remains an “obligated person” with respect to the Series 2018 Bonds within the meaning of the Rule, except that the Board in any event will give the notice required by “—*Disclosure Event Notices*”, above, of any Series 2018 Bond calls and defeasance that cause the Board to be no longer an “obligated person”.

The provisions under “Article VII - CONTINUING DISCLOSURE UNDERTAKING” of the First Supplemental Resolution are for the sole benefit of the Holders and beneficial owners of the Series 2018 Bonds, and nothing in Article VII, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other Person. The Board undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to Article VII and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Board's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with Article VII or otherwise, except as expressly provided herein. The Board does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Series 2018 Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE BOARD BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY SERIES 2018 BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE BOARD, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN ARTICLE VII, BUT

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

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

Continuing Disclosure Undertaking of Significant Borrowers

The Board shall require each Significant Borrower to adopt an ordinance, order or resolution (a “Significant Borrower Undertaking”) pursuant to which each Significant Borrower must agree to provide annually to the MSRB financial information and operating data with respect to the Significant Borrower of the general type hereinafter described. For purposes of the First Supplemental Resolution, the term “Significant Borrower” includes (i) any Political Subdivision that is a Significant Borrower as of the date the First Supplemental Resolution is adopted (an “Existing Significant Borrower”) and (ii) a Political Subdivision that, as a result of the Board’s future acquisition of its Political Subdivision Bonds, becomes a Significant Borrower (a “Future Significant Borrower”). Any Existing Significant Borrower must agree to provide, within 195 days after the end of each fiscal year thereof ending in or after 2018, financial information and operating data with respect thereto of the nature included in the final Official Statement authorized by the First Supplemental Resolution, being the information described in Exhibit G to the First Supplemental Resolution. Any financial statements so to be provided shall be prepared in accordance with the accounting principles described in Exhibit G, or such other accounting principles as such Existing Significant Borrower may be required to employ from time to time pursuant to state law or regulation. Any Future Significant Borrower must agree to provide, within 195 days after the end of each fiscal year thereof ending in or after the year the Political Subdivision became a Significant Borrower, financial information and operating data with respect thereto of the nature required by the Significant Borrower Undertaking. Any financial statements so to be provided shall be prepared in accordance with the accounting principles described in the Significant Borrower Undertaking, or such other accounting principles as such Significant Borrower may be required to employ from time to time pursuant to state law or regulation. In any case, if such Significant Borrower commissions an audit of such statements and the audit is completed within the period during which they must be provided, the financial statements to be provided shall be audited. If the audit of such financial statements is not complete within such period, then such Significant Borrower shall provide unaudited financial statements and thereafter audited financial statements for the applicable fiscal year to the Board, the MSRB, when and if the audit report on such statements become available.

Each Significant Borrower shall be obligated under its Significant Borrower Undertaking to observe and perform the covenants specified herein for so long as, but only for so long as, any Significant Borrower remains an “obligated person” with respect to the Series 2018 Bonds within the meaning of the Rule.

MISCELLANEOUS

Amendment

The First Supplemental Resolution may be amended in the same manner, for the same purposes and subject to the same limitations as set forth in Article VII of the Master Resolution for amendment of the Master Resolution; provided, however, that with regard to any amendment of the First Supplemental Resolution requiring either the affirmation of the Rating Agencies or consent of the Bondholders, the only affirmation or consent that shall be required is that of the Rating Agencies then rating the Series 2018 Bonds or the Bondholders of the Series 2018 Bonds, as the case may be.

APPENDIX G
UNAUDITED FINANCIAL STATEMENTS
OF THE CWSRF AND DWSRF

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Texas Water Development Board
Statement of Net Position - Clean Water State Revolving Fund

August 31,

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
ASSETS					
Current Assets:					
Cash and Cash Equivalents:					
Cash Equivalents	\$ 31,321,574	\$ 66,924,963	\$ 95,935,204	\$ 193,267,250	\$ 75,039,874
Short Term Investments	433,594,762	334,093,260	518,338,451	470,540,547	245,037,691
Receivables from:					
Federal	362,686	256,548	200,972	-	-
Interest and Dividends	15,947,228	15,877,935	66,428,835	63,134,721	57,166,883
Loans and Contracts	86,877,000	121,109,800	93,868,800	88,933,800	125,068,800
Total Current Assets	\$ 568,103,250	\$ 538,262,506	\$ 774,772,262	\$ 815,876,318	\$ 502,313,249
Non-Current Assets:					
Loans and Contracts	2,674,850,000	2,742,897,730	2,602,396,330	2,536,870,130	2,470,756,330
Total Non-Current Assets	\$2,674,850,000	\$2,742,897,730	\$2,602,396,330	\$2,536,870,130	\$ 2,470,756,330
Total Assets	\$ 3,242,953,250	\$ 3,281,160,236	\$ 3,377,168,592	\$ 3,352,746,448	\$ 2,973,069,579
LIABILITIES					
Current Liabilities:					
Payables from:					
Accounts Payable	476,348	243,628	10,916,403	-	-
Interest Payable	5,448,340	4,603,809	2,772,391	14,131,242	1,037,066
Interfund Payables	8,864,393	9,238,281	13,787,319	13,204,622	13,623,220
Due to Other Funds	1,134,196	777,702	15,565,778	-	-
Deferred Revenue ⁽³⁾	41,909,191				
Revenue Bonds Payable	28,343,871	59,458,871	64,455,667	25,147,724	11,510,680
Total Current Liabilities	\$ 86,176,339	\$ 74,322,291	\$ 107,497,558	\$ 52,483,588	\$ 26,170,966
Non-Current Liabilities:					
Interfund Payable	131,891,776	122,653,495	133,981,267	132,906,446	119,283,226
Revenue Bonds Payable (net)	811,520,708	740,066,838	628,086,200	601,977,243	162,606,120
Total Non-Current Liabilities	\$ 943,412,484	\$ 862,720,333	\$ 762,067,467	\$ 734,883,688	\$ 281,889,346
Total Liabilities	\$ 1,029,588,823	\$ 937,042,623	\$ 869,565,025	\$ 787,367,276	\$ 308,060,312
NET POSITION					
Restricted ⁽⁴⁾	2,213,364,427	2,344,117,613	2,507,603,567	2,565,379,172	2,665,009,267
Total Net Position ⁽²⁾	\$ 2,213,364,427	\$ 2,344,117,613	\$ 2,507,603,567	\$ 2,565,379,172	\$ 2,665,009,267

- (1) The financial data presented here is a recapitulation of the Board's financial statements presented in their Annual Financial Reports. The Board's financial statements become a part of the Comprehensive Annual Financial Report for the State of Texas, which is audited by the State Auditor's Office; however, the scope of the reviews at the agency level do not constitute an audit of the individual agency's financial statements. Consequently, these statements are considered unaudited at the agency level. Any adjustments related to the agency's financial data as a result of the CAFR Audit are not reflected in the amounts reported here.
- (2) The term Net Assets was changed to Net Position to comply with FY13 Annual Financial Reporting requirements and Government Accounting Standards Board Statement No. 54.
- (3) The deferred revenue balance associated with loan origination fees was restated out of the financial statements due to the implementation of Government Accounting Standards Board Statement No. 65. Such payments are now recognized as revenue when received.
- (4) The classification of net position was restated to the "restricted" category in fiscal 2014 to be in conformance with generally accepted accounting principles.

Texas Water Development Board
Statement of Net Position - Drinking Water State Revolving Fund

August 31,

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
ASSETS					
Current Assets:					
Cash and Cash Equivalents:					
Cash in State Treasury				\$ 0	\$ 0
Cash Equivalents	\$ 11,337,108	\$ 48,499,637	\$ 34,295,169	96,927,734	67,430,544
Short Term Investments	156,943,286	242,112,973	185,296,992	235,986,323	220,189,872
Receivables from:					
Federal	1,081,969	1,306,407	-	10,519,893	9,418,439
Interest and Dividends	3,722,670	3,634,226	14,217,921	14,242,248	15,933,165
Due From Other Funds			15,565,778		
Loans and Contracts	30,430,900	34,358,676	42,939,077	43,826,865	55,591,580
Total Current Assets	\$ 203,515,934	\$ 329,911,918	\$ 292,314,938	\$ 401,503,064	\$ 368,563,600
Non-Current Assets:					
Loans and Contracts	596,157,036	650,938,167	824,701,092	826,809,002	948,641,203
Total Non-Current Assets	\$ 596,157,036	\$ 650,938,167	\$ 824,701,092	\$ 826,809,002	\$ 948,641,203
Total Assets	\$ 799,672,970	\$ 980,850,086	\$ 1,117,016,030	\$ 1,228,312,066	\$ 1,317,204,803
LIABILITIES					
Current Liabilities:					
Payables from:					
Accounts Payable	4,866	3,634	8,082,609	4,401	-
Interfund Payables	3,655,150	4,277,285	12,218,383	9,867,391	9,166,969
Due to Other Funds	664,156	457,647	-	-	-
Due to Other Agencies	824,966	1,306,407	2,398,314	2,970,607	1,867,515
Deferred Revenue ⁽³⁾	10,283,261				
Total Current Liabilities	\$ 15,432,398	\$ 6,044,972	\$ 22,699,306	\$ 12,842,399	\$ 11,034,484
Non-Current Liabilities:					
Interfund Payable	69,315,514	76,259,857	93,625,668	93,358,706	84,191,737
Revenue Bonds Payable (net)	-	-	-	-	-
Total Non-Current Liabilities	\$ 69,315,514	\$ 76,259,857	\$ 93,625,668	\$ 93,358,706	\$ 84,191,737
Total Liabilities	\$ 84,747,912	\$ 82,304,829	\$ 116,324,974	\$ 106,201,105	\$ 95,226,221
NET POSITION					
Restricted ⁽⁴⁾	714,925,058	898,545,257	1,000,691,056	1,122,110,961	1,221,978,582
Total Net Position ⁽²⁾	\$ 714,925,058	\$ 898,545,257	\$ 1,000,691,056	\$ 1,122,110,961	\$ 1,221,978,582

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

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

(3) The deferred revenue balance associated with loan origination fees was restated out of the financial statements due to the implementation of Government Accounting Standards Board Statement No. 65. Such payments are now recognized as revenue when received.

(4) The classification of net position was restated to the "restricted" category in fiscal 2014 to be in conformance with generally accepted accounting principles.

APPENDIX H
DESCRIPTION OF BOOK-ENTRY-ONLY SYSTEM AND
GLOBAL CLEARANCE PROCEDURES

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BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

The information set out in this Appendix E is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC (as defined below), Euroclear Bank S.A./N.V. as operator of the Euroclear System (“Euroclear”) or Clearstream Banking, S.A. (“Clearstream Banking”) (DTC, Euroclear and Clearstream Banking together, the “Clearing Systems” currently in effect). The information in this Appendix E concerning the Clearing Systems has been obtained from sources that the Board believes to be reliable, but none of the Board, the Financial Advisor, the Bond Indenture Trustee or the Underwriters take any responsibility for the accuracy, completeness or adequacy of the information in this Appendix E. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. The Board will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Series 2018 Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

DTC Book-Entry Only System

Below is a description of how ownership of the Series 2018 Bonds is to be transferred and how the principal and interest on the Series 2018 Bonds are to be paid to and credited by The Depository Trust Company, New York, New York (“DTC”) while the Series 2018 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 and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Series 2018 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 Series 2018 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 Board may require consent of the Participants under DTC Operational Arrangements.

DTC will act as securities depository for the Series 2018 Bonds. The Series 2018 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 and series of the Series 2018 Bonds, as set forth on the inside of the cover page hereof, in the aggregate principal amount of such maturity and will be deposited with DTC.

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

Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2018 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2018 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 Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2018 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 Series 2018 Bonds, except in the event that use of the book-entry system for the Series 2018 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 Series 2018 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 Series 2018 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2018 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 Series 2018 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2018 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Series 2018 Bonds may wish to ascertain that the nominee holding the Series 2018 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 Series 2018 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2018 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 Series 2018 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Series 2018 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 Series 2018 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, Series 2018 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 Series 2018 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 Series 2018 Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Resolution will be given only to DTC.

Euroclear and Clearstream Banking

The information in this section concerning Euroclear and Clearstream Banking has been provided by such Clearing Systems for use in disclosure documents such as the Official Statement:

Euroclear and Clearstream Banking each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream Banking provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream Banking also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream Banking have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream Banking customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream Banking is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

Clearing and Settlement Procedures

The Series 2018 Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, or Clearstream Banking and Euroclear in Europe if the investors are participants in those systems, or indirectly through organizations that are participants in the systems. For any of such Series 2018 Bonds, the record holder will be DTC's nominee. Clearstream Banking and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream Banking's and Euroclear's names on the books of their respective depositories.

The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream Banking or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream Banking or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream Banking or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream Banking participant on that business day. Cash received in Clearstream Banking or Euroclear as a result of sales of securities by or through a Clearstream Banking participant or Euroclear participant to a Participant, other than the depository for Clearstream Banking or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream Banking or Euroclear cash account only as of the business day following settlement in DTC.

Transfers between Participants will occur in accordance with DTC rules. Transfers between Clearstream Banking participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream Banking participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within its established deadlines in European time. The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream Banking participants or Euroclear participants may not deliver instructions directly to the depositories.

The Board will not impose any fees in respect of holding the Series 2018 Bonds; however, holders of book-entry interests in the Series 2018 Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in the Clearing Systems.

Initial Settlement

Interests in the Series 2018 Bonds held in the Euroclear and Clearstream Clearing Systems will be held in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Series 2018 Bonds through Euroclear and Clearstream Banking accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Series 2018 Bonds will be credited to Euroclear and Clearstream Banking participants' securities clearance accounts on the business day following the date of delivery of the Series 2018 Bonds against payment (value as on the date of delivery of the Series 2018 Bonds). Participants acting on behalf of purchasers electing to hold book-entry interests in the Series 2018 Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. Participants' securities accounts will be credited with book-entry interests in the Series 2018 Bonds following confirmation of receipt of payment to the Board on the date of delivery of the Series 2018 Bonds.

Secondary Market Trading

Secondary market trades in the Series 2018 Bonds will be settled by transfer of title to book-entry interests in the Clearing Systems. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream Banking or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Series 2018 Bonds may be transferred within Euroclear and within Clearstream Banking and between Euroclear and Clearstream Banking in accordance with procedures established for these purposes by Euroclear and Clearstream Banking. Book-entry interests in the Series 2018 Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Series 2018 Bonds between Euroclear or Clearstream Banking and DTC may be effected in accordance with procedures established for this purpose by Euroclear, Clearstream Banking and DTC.

Special Timing Considerations

Investors will only be able to make and receive deliveries, payments and other communications involving the Series 2018 Bonds through Euroclear or Clearstream Banking on days when those systems are open for business. In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream Banking and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Series 2018 Bonds, or to receive or make a payment or delivery of Series 2018 Bonds, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream Banking is used, or Brussels if Euroclear is used.

General

None of DTC, Euroclear, or Clearstream Banking is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

None of the Board, the Financial Advisor or the Underwriters will have any responsibility for the performance by DTC, Euroclear, or Clearstream Banking or their respective direct or indirect participants or account holders of their respective obligations, including the timely transfer of funds to pay interest on and principal of the Series 2018 Bonds when due, under the rules and procedures governing their operations or the arrangements referred to above.

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