

AGENDA ITEM MEMO

BOARD MEETING DATE: May 11, 2022

TO: Board Members

THROUGH: Jeff Walker, Executive Administrator
Ashley Harden, General Counsel
Rebecca Trevino, CPA, Chief Financial Officer

FROM: Georgia Sanchez, Development Fund Manager

SUBJECT: General Obligation Series 2022E, Water Financial Assistance Bonds,
Economically Distressed Areas Program (EDAP)

ACTION REQUESTED

Consider approving by resolution: (a) the issuance, sale and delivery of State of Texas, General Obligation Water Financial Assistance Bonds, (Economically Distressed Areas Program) in one or more series; (b) a Preliminary Official Statement; (c) the Notice of Sale and Bidding Instructions; and (d) authorization for the Executive Administrator, General Counsel, Chief Financial Officer, and Development Fund Manager, or any other authorized representative to act on behalf of the Texas Water Development Board in the sale and delivery of such bonds.

BACKGROUND

The Texas Water Development Board (TWDB) is authorized to issue general obligation bonds under Article III, Sections 49-d-8, 49-d-9, 49-d-10, and 49-d-11 of the Texas Constitution and Subchapter L of Chapter 17 of the Texas Water Code, as amended.

The 87th Legislature provided authority and appropriations sufficient to issue bonds for EDAP in the fiscal 2022-2023 biennium. While \$200 million is available in constitutionally authorized but unissued bonds for EDAP, Texas Water Code § 17.0112(a) limits issuance of EDAP bonds to \$50 million in a state fiscal year.

On April 11, 2022, approval was received to initiate a bond issuance process to provide funding for eligible projects through EDAP and to pay costs of issuance. Hilltop Securities Inc. was selected to serve as financial advisor, Orrick, Herrington & Sutcliffe LLP was selected to serve as bond counsel, and Bracewell LLP was selected to serve as disclosure

Our Mission

Leading the state's efforts in ensuring a secure water future for Texas and its citizens

Board Members

Brooke T. Paup, Chairwoman | Kathleen Jackson, Board Member

Jeff Walker, Executive Administrator

counsel. Due to the size of the issuance and general market conditions, the Executive Administrator intends to issue these bonds through a competitive, rather than negotiated, sale.

The required documents have been drafted and are included as attachments. Upon approval of this item, the Legislative Budget Board (LBB) will receive a request for bond issuance and a formal Notice of Intent to issue debt will be provided to the Bond Review Board (BRB). Approval will be obtained from both the LBB and the BRB in advance of posting the offering documents. Staff anticipates non-substantive edits to the documents prior to publication.

KEY ISSUES

While the par and premium amounts will be adjusted at the time of pricing due to final projected needs and market considerations, the total principal not-to-exceed amount requested is \$50,000,000.

The costs of issuance for the transaction have been estimated at a not-to-exceed of \$9.00 per bond for the underwriter's discount, and \$310,000 for all other transaction-related fees and expenses.

Below is a short summary of the preliminary schedule of events currently anticipated for this transaction:

- **May 11, 2022** Board considers bond sale resolution/documents
- **May 13, 2022** EDAP abridged application period closes
- **July 11, 2022** LBB decision anticipated
- **July 12, 2022** BRB Planning Session
- **July 21, 2022** BRB Voting Session (required)
- **July 22, 2022** Post offering documents
- **August 4, 2022** Competitive Sale
- **August 16, 2022** Closing and delivery of the bonds

RECOMMENDATION

In order to ensure a successful issuance of the bonds, the Executive Administrator recommends approving by resolution: (a) the issuance, sale and delivery of State of Texas Water Financial Assistance Bonds (Economically Distressed Areas Program) in one or more series; (b) the Preliminary Official Statement; (c) the Notice of Sale and Bidding Instructions; and (d) authorization for the Executive Administrator, General Counsel, Chief Financial Officer, or Development Fund Manager to act on behalf of the Texas Water Development Board in the sale and delivery of such bonds.

Attachments:

1. Draft Bond Resolution
2. Draft Preliminary Official Statement
3. Draft Notice of Sale and Bidding Instructions

**BOND RESOLUTION
OF THE
TEXAS WATER DEVELOPMENT BOARD
AUTHORIZING THE ISSUANCE OF
STATE OF TEXAS WATER FINANCIAL ASSISTANCE BONDS,
SERIES 2022E
(ECONOMICALLY DISTRESSED AREAS PROGRAM)
AND SUCH OTHER SUBSERIES
AS MAY BE DESIGNATED PURSUANT TO THE TERMS HEREOF**

ADOPTED:

MAY 11, 2022

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RESOLUTION

OF THE TEXAS WATER DEVELOPMENT BOARD AUTHORIZING THE ISSUANCE OF STATE OF TEXAS WATER FINANCIAL ASSISTANCE BONDS, SERIES 2022E (ECONOMICALLY DISTRESSED AREAS PROGRAM), AND RESOLVING OTHER MATTERS RELATED THERETO

WHEREAS, the Texas Water Development Board (the “**Board**”) has previously issued, sold, and delivered general obligation bonds of the State of Texas (the “**State**”), to fund one or more accounts of the Texas Water Development Fund II (referred to herein as “**Development Fund II**”) established pursuant to the provisions of Section 49-d-8 of Article III of the Constitution of the State (the “**State Constitution**”), approved by the voters on November 4, 1997 (“**Section 49-d-8**”); and

WHEREAS, in addition to bonds authorized by other provisions of the State Constitution, Section 49-d-11 of Article III of the State Constitution (“**Section 49-d-11**”) authorizes the Board to issue additional general obligation bonds of the State, at its determination and on a continuing basis, for one or more accounts of Development Fund II, in amounts such that the aggregate principal amount of the bonds issued under Section 49-d-11 that are outstanding at any time does not exceed \$6,000,000,000; and

WHEREAS, Section 49-d-11 states that (i) Section 49-d-8 applies to the bonds authorized by Section 49-d-11, (ii) the limitation in Section 49-d-8 that the Board may not issue bonds in excess of the aggregate principal amount of previously authorized bonds does not apply to the bonds authorized by and issued under Section 49-d-11, and (iii) a limitation on the percentage of state participation in any single project imposed by Article III of the State Constitution does not apply to a project funded with the proceeds of bonds issued under authority of Section 49-d-8 or Section 49-d-11; and

WHEREAS, in addition to bonds authorized by other provisions of the State Constitution, Section 49-d-14 of Article III of the State Constitution (“**Section 49-d-14**”) authorizes the Board to issue additional general obligation bonds of the State, at its determination and on a continuing basis, for the Economically Distressed Areas Program Account (as defined herein) of Development Fund II, in amounts such that the aggregate principal amount of the bonds issued under Section 49-d-14 that are outstanding at any time does not exceed \$200,000,000; and

WHEREAS, prior to the issuance of the Series 2022E Bonds (as defined herein), the Board presently has the remaining constitutionally authorized but unissued bonding ability to issue \$200,000,000 aggregate principal amount of bonds outstanding at any time pursuant to Section 49-d-14; and

WHEREAS, Section 49-d-14 states that (i) Section 49-d-8 applies to the bonds authorized by Section 49-d-14, and (ii) the limitation in Section 49-d-8 that the Board may not issue bonds in excess of the aggregate principal amount of previously authorized bonds does not apply to the bonds authorized by and issued under Section 49-d-14; and

WHEREAS, the Board finds it advisable and determines that it is a public purpose and in the best interests of the State, in accordance with authority granted by Section 49-d-8, Section 49-d-14, and Subchapter L, Chapter 17 of the Texas Water Code (the “**Act**”), to authorize issuance of the Series 2022E Bonds to provide funds for the Economically Distressed Areas Program Account for EDAP Projects (as hereinafter defined), subject to the parameters set forth in this Resolution, as hereinafter provided; and

WHEREAS, a portion of debt service on bonds authorized to be issued pursuant to this Resolution is reasonably expected by the Board to be paid from general revenues of the State;

NOW, THEREFORE, BE IT RESOLVED BY THE TEXAS WATER DEVELOPMENT BOARD:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Section 1.01 Definitions. Throughout this Resolution (except in the FORM OF BOND attached as **Exhibit A** to this Resolution), in addition to the terms defined in the preamble to this Resolution the following terms and expressions used herein shall have the meanings specified in this Section.

“Act” means Subchapter L, Chapter 17, Texas Water Code.

“Amortization Installment” means the amount of money which is required for retirement of Term Bonds (whether at maturity or by mandatory redemption and including redemption premium, if any).

“Approval Certificate” means collectively one or more certificates executed by an Authorized Representative in accordance with the terms hereof which finalize the pricing and terms of the Series 2022E Bonds pursuant to the parameters set forth in this Resolution, including specifying the issuance of one or more subseries.

“Attorney General” means the Attorney General of the State.

“Authentication Certificate” has the meaning specified for that term in Section 2.07.

“Authorized Denomination” means \$5,000 principal amount or maturity amount, as the case may be, and any integral multiple thereof.

“Authorized Representative” means each of the Executive Administrator, the Chief Financial Officer, the Development Fund Manager and the General Counsel of the Board, acting individually and not jointly.

“Board” means the Texas Water Development Board.

“Bond” or **“Bonds”** means a Series 2022E Bond or Series 2022E Bonds, as applicable.

“Bond Appendix” means the quarterly appendix prepared by the Comptroller which sets forth certain information regarding the State (including its government, finances, economic profile, and other matters) for use by State entities when issuing debt.

“Bond Enhancement Agreement” means any agreement of the nature described in Section 17.954(c), Texas Water Code.

“Bond Payment Account” has the meaning specified for that term in Section 5.03.

“Book-Entry-Only System” means the system maintained by the securities depository described in Section 2.11.

“Business Day” means a day other than a Saturday, Sunday, a legal holiday or a day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close.

“Chapter 9” means Chapter 9, Texas Business & Commerce Code.

“Chapter 551” means Chapter 551, Texas Government Code.

“Chapter 1206” means Chapter 1206, Texas Government Code.

“Chapter 1208” means Chapter 1208, Texas Government Code.

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

“Code” means the Internal Revenue Code of 1986, as amended by all legislation, if any, enacted on or before the Date of Delivery.

“Common Issue Bonds” means the Series 2022E Bonds and any other tax-exempt bonds sold within 15 days of the first day on which there is a binding written contract for the sale or exchange of the Series 2022E Bonds, which are part of the same “issue” as the Series 2022E Bonds, as defined in section 1.150-1(c) of the Regulations.

“Comptroller” means the Texas Comptroller of Public Accounts.

“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 Common Issue Bonds directly or indirectly used to make loans to Political Subdivisions as of the last day of the One-Year Computation Period (but not less than zero) or (H) ninety-five percent (95%) of the Net Proceeds less the proceeds of Common Issue Bonds directly or indirectly used to make loans to Political Subdivisions as of the last day of the Three-Year Computation Period (but not less than zero).

“Continuing Disclosure Agreement” means the Amended and Restated Continuing Disclosure Agreement dated March 12, 2019, between the Comptroller and the Texas Bond Review Board, as may be further amended from time to time.

“Date of Delivery” means the date of delivery of the Series 2022E Bonds to the Purchaser.

“Dated Date” means the date designated in the Approval Certificate as such with respect to the Series 2022E Bonds.

“Defeasance Securities” means, unless otherwise specified in an Approval Certificate, (i) Federal Securities, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board adopts or approves proceedings authorizing the issuance of refunding bonds or, if such defeasance is not in connection with the issuance of refunding bonds, on the date the Board provides for the funding of an escrow to effect the defeasance of the Series 2022E Bonds, are rated as to investment quality by a nationally-recognized investment rating firm not less than “AAA” or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of

a state that have been refunded and that, on the date the Board adopts or approves proceedings authorizing the issuance of refunding bonds or, if such defeasance is not in connection with the issuance of refunding bonds, on the date the Board provides for the funding of an escrow to effect the defeasance of the Series 2022E Bonds, are rated as to investment quality by a nationally-recognized investment rating firm not less than “AAA” or its equivalent, and (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Series 2022E Bonds under the then applicable laws of the State.

“Designated Payment/Transfer Office” means the corporate trust office of the Paying Agent/Registrar designated as the place for payment, transfer and exchange of the Series 2022E Bonds, initially, the corporate trust office of the Paying Agent/Registrar in Dallas, Texas.

“Development Fund I” means the Texas Water Development Fund as described in the Development Fund I Constitution Provisions.

“Development Fund I Constitutional Provisions” means Sections 49-c, 49-d, 49-d-1, 49-d-2, 49-d-5, 49-d-6 and 49-d-7 of Article III of the State Constitution.

“Development Fund II” has the meaning specified for that term in the preamble to this Resolution.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“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.

“Economically Distressed Areas Program Account” means the account described in Section 17.958, Texas Water Code.

“EDAP Bonds” means the general obligation bonds of the State issued by the Board under authority granted by Section 49-d-8, Section 49-d-9, Section 49-d-10, Section 49-d-11 or Section 49-d-14 to provide funds for the Economically Distressed Areas Program Account of Development Fund II, including the Previously Issued EDAP Bonds and the Series 2022E Bonds.

“EDAP Project” means any project found and determined by the Board to be in accordance with the purposes described in Subchapter K.

“Eligible Investments” means those investments in which the Board is authorized by law and its investment policy to invest its funds.

“Federal Securities” means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America.

“Financial Assistance Account” means the account described in Section 17.959, Texas Water Code.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation;

or (c) guarantee of any such debt obligation or any such derivative instrument; provided that "Financial Obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The Board and the Comptroller intend the words used in this definition to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

"Fiscal Year" means the period of time beginning in each calendar year on September 1 and ending on August 31 of the calendar year next following.

"Form of Bond" means the Form of Bond attached hereto as **Exhibit A**.

"GASB" means the Governmental Accounting Standards Board.

"Holder" or **"Owner"** means the person who is the registered owner of a Series 2022E Bond or subseries thereof, as shown on the Registration Books.

"Initial Bonds" means the Series 2022E Bonds authorized, issued, sold and delivered hereunder and upon which the registration certificate, manually executed by or on behalf of the Comptroller, has been placed.

"Interest Payment Date" means each February 1 and August 1, beginning on the first such date occurring after the Date of Delivery.

"Money and Assets Attributable to Bonds" means:

- (1) the Board's rights to receive repayment of financial assistance provided from the Economically Distressed Areas Program Account, together with any evidence of such rights;
- (2) money received from the sale or other disposition of the Board's rights to receive repayment of such financial assistance;
- (3) money received as repayment of such financial assistance;
- (4) money and assets attributable to EDAP Bonds, including money and assets transferred to the Economically Distressed Areas Program Account from Development Fund I pursuant to Subsection (b) of Section 49-d-8; and
- (5) money deposited in the Economically Distressed Areas Program Account pursuant to Subsection (c) of Section 49-d-8.

"MSRB" means the Municipal Securities Rulemaking Board.

"Net Proceeds" means the amounts received from the sale of Common Issue Bonds less proceeds used to pay costs of issuance, including any underwriters' compensation, proceeds used to pay interest on such Common Issue 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 used to refund prior Bonds. Notwithstanding the foregoing, if applicable, the amount of Net Proceeds shall be adjusted to equal only the amount of Net

Proceeds with respect to the portion of the Common Issue Bonds treated as a separate issue pursuant to Section 149(f)(7)(B) of the Code due to only that portion of the Common Issue Bonds being reasonably expected (at the time of issuance of the Common Issue Bonds) to be used (or is intentionally used) to make loans as described in Section 149(f)(6)(A) of the Code.

“Notice of Sale” means the notice of sale and bidding instructions prepared in connection with the sale of the Series 2022E Bonds.

“Official Bid Form” means the bid form to be submitted by bidders seeking to purchase the Series 2022E Bonds as provided in the Notice of Sale.

“Official Statement” means the Official Statement pertaining to the Series 2022E Bonds, and authorized by Section 8.02 hereof.

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

“Outstanding” means, when used to modify EDAP Bonds, all of such EDAP Bonds issued, authenticated and delivered under their respective authorizing resolutions, except (i) any EDAP Bonds which have been exchanged or replaced or otherwise surrendered for cancellation, (ii) any EDAP Bonds which have been paid, (iii) any EDAP Bonds which have become due and for the payment of which money has been duly provided, and (iv) any EDAP Bonds which have been legally defeased and discharged in accordance with the terms of the respective authorizing resolution.

“Owner” or **“Holder”** means the person who is the registered owner of a Series 2022E Bond or subseries thereof, as shown on the Registration Books.

“Paying Agent/Registrar” means the financial institution named in Section 2.06 or any successor thereto named in accordance with the provisions of Section 2.10.

“Paying Agent/Registrar Agreement” means the paying agent agreement between the Board and the Paying Agent/Registrar, relating to the performance of the duties and responsibilities of the Paying Agent/Registrar with respect to the Series 2022E Bonds.

“Person” means any natural person, firm, partnership, association, corporation, or public body.

“Political Subdivision” has the meaning specified for that term in Section 17.001(6), Texas Water Code.

“Previously Issued EDAP Bonds” means bonds previously issued to provide funds for the Economically Distressed Areas Program Account and any refunding bonds issued in replacement thereof.

“Purchaser” means the entity or entities listed in the Official Bid Form accepted by the Board as the bid providing the lowest true interest cost rate to the Board.

“Registration Books” has the meaning specified for that term in Section 2.06.

“Regulations” has the meaning specified for that term in Section 6.02.

“Resolution” means this Resolution authorizing the issuance of the Series 2022E Bonds and all amendments hereto.

“Rule” means SEC Rule 15c2-12, as amended from time to time.

“Rural Water Assistance Fund” means the account within the general revenue fund of the State established pursuant to Subchapter R.

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

“Section 49-d-8” means Section 49-d-8 of Article III of the State Constitution.

“Section 49-d-9” means Section 49-d-9 of Article III of the State Constitution.

“Section 49-d-10” means Section 49-d-10 of Article III of the State Constitution.

“Section 49-d-11” means Section 49-d-11 of Article III of the State Constitution.

“Section 49-d-14” means Section 49-d-14 of Article III of the State Constitution.

“Series 2022E Bonds” means the State of Texas Water Financial Assistance Bonds, Series 2022E (Economically Distressed Areas Program), authorized to be issued in accordance with the terms of this Resolution and the terms and conditions set forth in the Approval Certificate relating thereto, including any subseries.

“State” means the State of Texas.

“State Constitution” means the Constitution of the State.

“State Participation Account” means the account described in Section 17.957, Texas Water Code.

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

“State Treasury” means the treasury of the State under the administration and supervision of the Comptroller.

“Subchapter K” means Subchapter K, Chapter 17, Texas Water Code.

“Subchapter Q” means Subchapter Q, Chapter 15, Texas Water Code.

“Subchapter R” means Subchapter R, Chapter 15, Texas Water Code.

“Term Bonds” means Series 2022E Bonds so designated by the Board herein or in the Approval Certificate.

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

“Water Assistance Project” means any project for which the Board is authorized to provide financial assistance, in accordance with the purposes described by the Development Fund I Constitutional Provisions or Section 49-d-8, other than (i) an EDAP Project or (ii) a State Participation Project. The term “Water Assistance Project” includes, without limitation, transfers to or deposits to the credit of any state revolving fund administered by the Board under the provisions of the Texas Water Code, specifically Chapter 15, Texas Water Code, and transfers to or deposits to the credit of the Rural Water Assistance Fund or the Water Infrastructure Fund.

“Water Infrastructure Fund” means the special fund in the State Treasury established pursuant to Subchapter Q and administered by the Board.

Section 1.02 Rules of Construction.

(a) Designation of Articles, Sections. For all purposes of this Resolution, unless the context requires otherwise, all references to designated Articles, Sections and other subdivisions are to the Articles, Sections and other subdivisions of this Resolution. The words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Resolution as a whole and not to any particular Article, Section or other subdivision.

(b) References. Except where the context otherwise requires, terms defined in this Resolution to impart the singular number shall be considered to include the plural number and vice versa. References to any named Person means that party and its successors and assigns. References to any constitutional, statutory or regulatory provision means such provision as it exists on the date this Resolution is adopted by the Board and any future amendments thereto or successor provisions thereof. Any reference to the payment of principal in this Resolution shall be deemed to include the payment of Amortization Installments. References in this Resolution to the FORM OF BOND refer to the form attached to this Resolution as Exhibit A.

Section 1.03 Interpretations. The titles and headings of the Articles and Sections of this Resolution have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof.

ARTICLE II

THE SERIES 2022E BONDS

Section 2.01 Authorization of Bonds.

(a) Purpose; Maximum Amount. For the purposes set forth in Section 49-d-8 and Section 49-d-14, the negotiable general obligation bonds of the State to be known and designated as **STATE OF TEXAS WATER FINANCIAL ASSISTANCE BONDS, SERIES 2022E (ECONOMICALLY DISTRESSED AREAS PROGRAM)**, are hereby authorized and may be issued from time to time for the purpose of conserving and developing the water resources of the State, to-wit, by providing funds for the Economically Distressed Areas Program Account for EDAP Projects, including state matching funds for federal funds provided by any state revolving fund administered by the Board under the provisions of the Texas Water Code, and paying expenses arising in connection with the issuance of the Series 2022E Bonds. The combined principal amount of all Series 2022E Bonds issued pursuant to this Resolution shall not exceed \$50,000,000.00.

(b) Delegation of Authority. As authorized by Chapter 1371, each Authorized Representative, individually and not jointly, is hereby authorized, appointed and designated to act on behalf of the Board in selling and delivering, in one or more series or subseries, the Series 2022E Bonds and carrying out the procedures specified in this Resolution, including determining:

(i) the date for issuance and sale, and the Dated Date, of each series or subseries of Series 2022E Bonds;

(ii) the name and any special or additional series designation for each series or subseries of the Series 2022E Bonds;

(iii) the principal amount of each series or subseries of Series 2022E Bonds to be sold (subject to the limitations set forth in Section 2.01(a)), as well as the principal amount of each stated maturity within a series or subseries of Series 2022E Bonds;

(iv) the price at which the Series 2022E Bonds shall be sold;

(v) the principal amount of Series 2022E Bonds to be sold as current interest bonds, if any; the principal amount of Series 2022E Bonds to be sold as premium capital appreciation bonds, if any;

(vi) the principal amortization schedule for the Series 2022E Bonds (including, without limitation, the designation of any of the maturities of the Series 2022E Bonds as Term Bonds and any Amortization Installments to be deposited to the credit of the Bond Payment Account relating to any Term Bond so designated);

(vii) in accordance with the provisions of ARTICLE III hereof, the redemption features of the Series 2022E Bonds (including any associated premium);

(viii) the rate or rates of interest to be borne by the Series 2022E Bonds;

(ix) whether to acquire a Bond Enhancement Agreement in support of all or any portion of the Series 2022E Bonds; and

(x) any other matters relating to the issuance, sale and delivery of the Series 2022E Bonds; all of which shall be specified in one or more Approval Certificates executed in accordance with the terms hereof and within the parameters set forth in Section 2.01(c) below.

(c) Parameters. The Authorized Representative may exercise any authority granted under Chapter 1371 so long as on the date the Approval Certificate is executed:

(i) the maximum maturity date of any Series 2022E Bonds issued hereunder shall not exceed thirty two (32) years from the issue date of such bonds;

(ii) the true interest cost rate applicable to the Series 2022E Bonds shall not exceed 6.0%; and

(iii) the final series or subseries of Series 2022E Bonds issued hereunder must be sold no later than six months after the date of adoption of this Resolution (though the closing of a particular series or subseries of Series 2022E Bonds sold in accordance with this provision may occur after such date as long as such closing period is determined by an Authorized Representative to be of reasonable duration).

Section 2.02 Denominations, Date and Interest Rates. The Series 2022E Bonds shall be in any Authorized Denomination, shall be numbered consecutively from R-1 upward, shall be dated the date described in the Approval Certificate, and shall be in substantially the form attached hereto as **Exhibit A** with such changes and modifications as are set forth in the Approval Certificate. Interest on the Series 2022E Bonds shall be payable on the Interest Payment Dates. The Series 2022E Bonds shall bear interest at rates as specified in the Approval Certificate. Interest shall be payable in the manner and on the terms provided in this Resolution and the Approval Certificate. The FORM OF BOND shall be completed in accordance with the terms of the Approval Certificate to reflect the aggregate principal amount of the Series 2022E Bonds sold to the Purchaser.

Section 2.03 Maturities and Amounts. The Series 2022E Bonds shall mature on the dates and in the amounts as set forth in the principal amortization schedule contained in the applicable Approval Certificate.

Section 2.04 Execution of Bonds. Each Series 2022E Bond shall be executed for and on behalf of the State as a general obligation of the State by having placed thereon the lithographed or printed facsimile or the manual signatures of the Chair of the Board and the Executive Administrator, and the manually impressed or lithographed or printed facsimile seal of the Board. Lithographed or printed facsimile signatures and seal shall have the same effect as if each Series 2022E Bond had been manually signed by such officers, and the seal had been manually impressed on each Series 2022E Bond.

In case any officer whose signature is on a Series 2022E Bond no longer holds such office at the time of authentication, or was the proper officer on the date of execution but not on the nominal date of action, the Series 2022E Bond shall nevertheless be valid.

Section 2.05 Temporary Bonds. Pending the preparation of definitive Series 2022E Bonds, the Board may execute and, upon the Board's request, the Paying Agent/Registrar shall authenticate and deliver, one or more temporary Series 2022E Bonds substantially of the tenor of the definitive Series 2022E Bonds in lieu of which they are delivered, with such appropriate insertions, omissions, substitutions and other variations, as evidenced by the execution of such temporary Series 2022E Bonds, as such officers executing such temporary Series 2022E Bonds may determine.

Until exchanged for Series 2022E Bonds in definitive form, such Series 2022E Bonds in temporary form shall be entitled to the benefit and security of this Resolution. The Board, without unreasonable delay, shall prepare, execute and deliver to the Paying Agent/Registrar, and upon the presentation and surrender of the temporary Series 2022E Bonds to the Paying Agent/Registrar, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor, definitive Series 2022E Bonds of the same maturity, aggregate principal amount or maturity amount, as the case may be, and bearing or accruing interest at the same rate as the temporary Series 2022E Bonds surrendered. The exchange shall be made without any charge to any owner of Series 2022E Bonds.

Section 2.06 Appointment and Duties of Paying Agent/Registrar.

(a) Appointment. The Board hereby appoints The Bank of New York Mellon Trust Company, N.A., as the initial Paying Agent/Registrar for the Series 2022E Bonds. The Board shall keep or cause to be kept at the Designated Payment/Transfer Office of the Paying Agent/Registrar books or records of the registration and transfer of the Series 2022E Bonds (the "**Registration Books**"), and the Board hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such transfers and registrations under such reasonable regulations as the Board and the Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such transfers and registrations as herein provided. It shall be the duty of the Paying Agent/Registrar to obtain from the registered owner and record in the Registration Books the address of such registered owner of each Series 2022E Bond to which payments with respect to the Series 2022E Bonds shall be mailed, as herein provided. The Board or its designee shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The Board hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Series 2022E Bonds, and to act as its agent to convert and exchange or replace Series 2022E Bonds, all as provided in this Resolution. The Paying Agent/Registrar shall keep proper records of all payments made by the Board and the Paying Agent/Registrar with respect to the Series 2022E Bonds, and of all conversions and exchanges of such Series 2022E Bonds, and all replacements of such Series 2022E Bonds, as provided in this Resolution.

(b) Duties. The Paying Agent/Registrar shall perform such duties as are required of the Paying Agent/Registrar hereunder and under the Paying Agent/Registrar Agreement. The Executive Administrator or the designee thereof is hereby authorized to execute and deliver for and on behalf of the Board the Paying Agent/Registrar Agreement, which shall be in substantially the form utilized in connection with EDAP Bonds previously issued by the Board, with such changes as the Executive Administrator may approve, such approval to be conclusively evidenced by the execution and delivery of such agreement by the Executive Administrator or the designee thereof.

Section 2.07 Registration, Transfer and Exchange of Bonds.

(a) Transfer. Registration of each Series 2022E Bond may be transferred on the Registration Books only upon presentation and surrender of such Series 2022E Bond at the Designated Payment/Transfer Office of the Paying Agent/Registrar for transfer of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing the assignment of the Series 2022E Bond, or any portion thereof in any Authorized Denomination, to the assignee or assignees thereof, and the right of such assignee or assignees to have the Series 2022E Bond or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Series 2022E Bond or any portion thereof, a new substitute Series 2022E Bond or Series 2022E Bonds shall be issued in conversion and exchange therefor in the manner provided in this Section.

(b) Duty of Conversion, Exchange or Replacement. Pursuant to Chapter 1206, and particularly Subchapter B thereof, the duty of conversion and exchange or replacement of Series 2022E Bonds in the manner prescribed herein is hereby imposed upon the Paying Agent/Registrar. Each Series 2022E Bond may be converted into and exchanged for fully registered Series 2022E Bonds in the manner set forth herein. Each Series 2022E Bond issued and delivered pursuant to this Resolution, to the extent of the unpaid or unredeemed principal amount or maturity amount thereof, as the case may be, upon surrender of such Series 2022E Bond at the Designated Payment/Transfer Office of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, at the option of the registered owner or such assignee or assignees, as appropriate, shall be converted into and exchanged for fully registered Series 2022E Bonds in the form prescribed in the FORM OF BOND of like series or subseries, in any Authorized Denomination (subject to the requirement hereinafter stated that each substitute Series 2022E Bond shall have a single stated maturity date), as requested in writing by such registered owner or such assignee or assignees, in an aggregate principal amount or maturity amount, as the case may be, equal to the unpaid or unredeemed principal amount or maturity amount of any Series 2022E Bond or Series 2022E Bonds, as the case may be, so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. If a portion of any Series 2022E Bond shall be redeemed prior to its scheduled maturity as provided herein, a substitute Series 2022E Bond or Series 2022E Bonds having the same maturity date, of like series or subseries and bearing or accruing interest at the same rate, in any Authorized Denomination at the written request of the registered owner, and in an aggregate principal amount or maturity amount, as the case may be, equal to the unredeemed portion thereof, will be issued to the registered owner upon surrender thereof for cancellation. The Paying Agent/Registrar promptly shall cancel all Series 2022E Bonds surrendered for conversion and exchange or replacement. If any Series 2022E Bond or portion thereof is assigned and transferred or converted, each Series 2022E Bond issued in exchange therefor shall have the same principal maturity date, be of like series or subseries and bear or accrue interest at the same rate, as the Series 2022E Bond for which it is being exchanged.

(c) No Additional Actions Necessary. No additional ordinances, orders, or resolutions need be passed or adopted by the Board or any other Person so as to accomplish the foregoing conversion and exchange or replacement of any Series 2022E Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution and delivery of the substitute Series 2022E Bonds in the manner prescribed herein. All Series 2022E Bonds issued in conversion and exchange or replacement of any other Series 2022E Bond or portion thereof (i) shall be issued in fully registered form with the principal of and interest on such Series 2022E Bonds to be payable only to the registered owners thereof, (ii) may be redeemed prior to their scheduled maturities, (iii) may be transferred and assigned, (iv) may be converted

and exchanged for other Series 2022E Bonds, shall have the characteristics, (vi) shall be signed and sealed, and (vii) the principal of and interest thereon shall be payable, all if and as provided with respect to the Series 2022E Bonds, and in the manner required or indicated, in ARTICLE II of this Resolution. Each substitute Series 2022E Bond shall bear a letter and/or number to distinguish it from each other Series 2022E Bond. Each fully registered Series 2022E Bond delivered in conversion of and exchange for or replacement of any Series 2022E Bond or portion thereof as permitted or required by any provision of this Resolution shall constitute one of the Series 2022E Bonds for all purposes of this Resolution, and may again be converted and exchanged or replaced.

(d) Authentication Certificate. On each substitute Series 2022E Bond issued in conversion of and exchange for or replacement of any Series 2022E Bond or Series 2022E Bonds issued under this Resolution there shall be printed thereon a Paying Agent/Registrar's Authentication Certificate (the "**Authentication Certificate**"), in the form set forth in the FORM OF BOND. An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Series 2022E Bond, date and manually sign the Authentication Certificate, and no such Series 2022E Bond shall be deemed to be issued or outstanding unless the Authentication Certificate is so executed. Upon the execution of the Authentication Certificate, the converted and exchanged or replaced Series 2022E Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Initial Bonds which originally were delivered pursuant to this Resolution, approved by the Attorney General, and registered by the Comptroller.

(e) Restrictions on Transfer or Exchange. Neither the Board, the State nor the Paying Agent/Registrar shall be required (i) to issue, transfer, or exchange any Series 2022E Bond subject to redemption during a period beginning at the opening of business thirty (30) days before the day of the first mailing of a notice of redemption of Series 2022E Bonds and ending at the close of business on the day of such mailing or (ii) to transfer or exchange any Series 2022E Bond after it is selected for redemption, in whole or in part, prior to the redemption date; except that at the option of the registered owner of at least \$1,000,000 in principal amount of Series 2022E Bonds, the Paying Agent/Registrar shall be required to transfer or exchange any such Series 2022E Bond which has been selected in whole or in part for redemption upon surrender thereof. In which event, the Paying Agent/Registrar may make such arrangements as it deems appropriate for notation on each new Series 2022E Bond issued in exchange for or upon transfer of the Series 2022E Bond so selected for redemption of an appropriate legend to the effect that such new Series 2022E Bond has been so selected for redemption.

(f) Payment of Fees. The registered owner of any Series 2022E Bond requesting any conversion and exchange shall pay the Paying Agent/Registrar's reasonable and standard or customary fees and charges for converting and exchanging any such Series 2022E Bond or portion thereof, together with any taxes or governmental charges required to be paid with respect thereto, all as a condition precedent to the exercise of such privilege of conversion and exchange; except that in the case of the conversion and exchange of an assigned and transferred Series 2022E Bond or any portion or portions thereof in any Authorized Denomination, and in the case of the conversion and exchange of the unredeemed portion of a Series 2022E Bond which has been redeemed in part prior to maturity, as provided in this Resolution, such fees and charges will be paid by the Board. In addition, the Board hereby covenants with the registered owners of the Series 2022E Bonds that it will pay the (i) reasonable and standard or customary fees and charges of the Paying Agent/Registrar for its services with respect to the payment of the principal of and interest on the Series 2022E Bonds, when due, and (ii) fees and charges of the Paying Agent/Registrar for services with respect to the transfer or registration of Series 2022E Bonds, and with respect to the conversion and exchange of Series 2022E Bonds solely to the extent above provided.

Section 2.08 Owners of Bonds. The Person in whose name any Series 2022E Bond shall be registered in the Registration Books at any time shall be treated as the absolute owner thereof for all purposes of this Resolution, whether such Series 2022E Bond shall be overdue, and the Board and the Paying Agent/Registrar shall not be affected by any notice to the contrary unless otherwise required by law; and payment of, or on account of, the principal of and premium, if any, and interest on any such Series 2022E Bond shall be made only to such registered owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2022E Bond to the extent of the sum or sums so paid.

Section 2.09 Damaged, Mutilated, Lost, Stolen or Destroyed Bonds.

(a) Replacement. In the event any outstanding Series 2022E Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new Series 2022E Bond of the same principal amount or maturity amount, as the case may be, maturity date, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Series 2022E Bond, in replacement for such Series 2022E Bond in the manner hereinafter provided.

(b) Application for Replacement. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Series 2022E Bonds shall be made to the Paying Agent/Registrar. In every case of loss, theft or destruction of a Series 2022E Bond, the applicant for a replacement Series 2022E Bond shall furnish to the Board and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft or destruction of a Series 2022E Bond, the applicant shall furnish to the Board and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft or destruction of such Series 2022E Bond, as the case may be. In every case of damage or mutilation of a Series 2022E Bond, the applicant shall surrender to the Paying Agent/Registrar for cancellation the Series 2022E Bond so damaged or mutilated.

(c) Payment in Lieu of Replacement. Notwithstanding the foregoing provisions of this Section, in the event any such Series 2022E Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of, premium, if any, or interest on the Series 2022E Bond, the Board may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Series 2022E Bond) instead of issuing a replacement Series 2022E Bond, provided security or indemnity is furnished as above provided in this Section.

(d) Payment of Costs. Prior to the issuance of any replacement Series 2022E Bond, the Paying Agent/Registrar shall charge the owner of such Series 2022E Bond with all legal, printing, and other expenses in connection therewith. Every replacement Series 2022E Bond issued pursuant to the provisions of this Section by virtue of the fact that any Series 2022E Bond is lost, stolen or destroyed shall constitute a contractual obligation of the Board whether the lost, stolen, or destroyed Series 2022E Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Resolution equally and proportionately with any and all other Series 2022E Bonds duly issued under this Resolution.

(e) Legal Authority. In accordance with Chapter 1206, this Section shall constitute authority for the issuance of any such replacement Series 2022E Bond without necessity of further action by the Board of any other Person, and the duty of the replacement of such Series 2022E Bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Series 2022E Bonds in the form and manner and with the effect, as provided in Section 2.07 for Series 2022E Bonds issued in conversion and exchange for other Series 2022E Bonds.

Section 2.10 Successor Paying Agent/Registrars. The Board covenants with the registered owners of the Series 2022E Bonds that at all times while the Series 2022E Bonds are outstanding the Board will provide a competent and legally qualified bank or trust company to act as and perform the services of Paying Agent/Registrar for the Series 2022E Bonds under this Resolution, and that the Paying Agent/Registrar will be one entity. The Board reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than sixty (60) days' written notice to the Paying Agent/Registrar. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Board covenants that promptly it will appoint a competent and legally qualified bank or trust company which shall be a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar under this Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Series 2022E Bonds, to the new Paying Agent/Registrar designated and appointed by the Board. Upon any change in the Paying Agent/Registrar, the Board promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Series 2022E Bonds, by United States mail, first-class, postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar and the Designated Payment/Transfer Office. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Resolution, and a certified copy of this Resolution shall be delivered to each Paying Agent/Registrar.

Section 2.11 Book-Entry Only System. The Initial Bonds shall be delivered to the Purchaser against payment received therefrom on the Date of Delivery. The Purchaser shall be required to promptly surrender the Initial Bonds to the Paying Agent/Registrar for exchange. Series 2022E Bonds issued in exchange therefor shall be registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Series 2022E Bonds, and held in the custody of DTC. Unless otherwise requested by DTC, a single certificate will be issued and delivered to DTC for each maturity of the Series 2022E Bonds. Beneficial owners of Series 2022E Bonds will not receive physical delivery of Series 2022E Bond certificates except as provided hereinafter. For so long as DTC shall continue to serve as securities depository for the Series 2022E Bonds as provided herein, all transfers of beneficial ownership interests will be made by book-entry only, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of Series 2022E Bonds is to receive, hold or deliver any Series 2022E Bond certificate.

With respect to Series 2022E Bonds registered in the name of Cede & Co., as nominee of DTC, the Board and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any Person on whose behalf a DTC Participant holds an interest in the Series 2022E Bonds. Without limiting the immediately preceding sentence, the Board and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Series 2022E Bonds, (ii) the delivery to any DTC Participant or any other Person, other than a registered owner of the Series 2022E Bonds, as shown on the Registration Books, of any notice with respect to the Series 2022E Bonds, including any notice of redemption, and (iii) the payment to any DTC Participant or any other Person, other than a registered owner of the Series 2022E Bonds, as shown in the Registration Books, of any amount with respect to principal or premium, if any, or interest on the Series 2022E Bonds.

Replacement Series 2022E Bonds may be issued directly to beneficial owners of Series 2022E Bonds other than DTC, or its nominee, but only in the event that: (i) DTC determines not to continue to act as securities depository for the Series 2022E Bonds (which determination shall become effective no less than ninety (90) days after written notice to such effect to the Board and the Paying Agent/Registrar); (ii) the Board has advised DTC of its determination (which determination is conclusive as to DTC and beneficial owners of the Series 2022E Bonds) that DTC is incapable of discharging its duties as securities depository for the Series 2022E Bonds; or (iii) the Board has determined (which determination is conclusive as to DTC and the beneficial owners of the Series 2022E Bonds) that the interests of the beneficial owners of the Series 2022E Bonds might be adversely affected if such book-entry only system of transfer is continued. Upon occurrence of any of the foregoing events, the Board shall use its best efforts to attempt to locate another qualified securities depository to replace DTC. If the Board fails to locate another qualified securities depository to replace DTC, the Board shall cause to be authenticated and delivered replacement Series 2022E Bonds, in certificate form, to the beneficial owners of the Series 2022E Bonds. In the event that the Board makes the determination noted in (ii) or (iii) above (provided that the Board undertakes no obligation to make any investigation to determine the occurrence of any events that would permit the Board to make any such determination), and has made provisions to notify the beneficial owners of Series 2022E Bonds of such determination by mailing an appropriate notice to DTC, it shall cause to be issued replacement Series 2022E Bonds in certificate form to beneficial owners of the Series 2022E Bonds as shown on the records of DTC provided to the Board.

Whenever, during the term of the Series 2022E Bonds, the beneficial ownership thereof is determined by a book entry at DTC, the requirements in this Resolution of holding, delivering or transferring Series 2022E Bonds shall be deemed modified to require the appropriate Person or entity to meet the requirements of DTC as to registering or transferring the book entry to produce the same effect.

If at any time, DTC ceases to hold the Series 2022E Bonds as securities depository, all references herein to DTC shall be of no further force or effect.

Section 2.12 All Bonds On Parity. No EDAP Bond shall be entitled to priority of payment over any other EDAP Bond in the application of any moneys made available by law for the payment thereof, irrespective of the fact that some of the EDAP Bonds may have been or may be delivered prior to the delivery of other EDAP Bonds, it being the intent of this Resolution that all EDAP Bonds shall rank equally on parity with each other.

ARTICLE III

REDEMPTION OF BONDS BEFORE MATURITY

Section 3.01 Limitation on Redemption. Unless otherwise provided in the Approval Certificate, the Series 2022E Bonds shall be subject to redemption before scheduled maturity only as provided in this Article. Any provision of this Article, including, without limitation, any provisions relating to the method or selection of Series 2022E Bonds for redemption may be modified in an Approval Certificate.

Section 3.02 Optional and Mandatory Redemption of Bonds. The Series 2022E Bonds shall be subject to optional redemption and mandatory redemption by the Board on behalf of the State prior to maturity in the manner and at the redemption price as described in the Approval Certificate. The FORM

OF BOND shall be completed upon the execution of the Approval Certificate to reflect the redemption provisions, if any, applicable to Bonds as provided for in the Approval Certificate.

Section 3.03 Partial Redemption.

(a) The Series 2022E Bonds redeemed in part shall be selected for redemption as described in the FORM OF BOND.

(b) A portion of a single Bond of a denomination greater than an Authorized Denomination may be redeemed but only in a principal amount equal to a minimum Authorized Denomination or any integral multiple thereof. The Paying Agent/Registrar shall treat each minimum Authorized Denomination of such Bond as though it were a single Bond for purposes of selection for redemption.

(c) Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver an exchange Bond in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Section 3.04 Notice of Redemption.

(a) The Paying Agent/Registrar shall record in the Registration Books all such redemptions of principal of the Series 2022E Bonds or any portion thereof. Notice of any redemption of the Series 2022E Bonds shall be given to the registered owners thereof by the Paying Agent/Registrar in the manner provided in the FORM OF BOND.

(b) In addition to the manner of providing notice of redemption of the Series 2022E Bonds as set forth in the FORM OF BOND, the Paying Agent/Registrar shall give notice of redemption of the Series 2022E Bonds by United States mail, first-class postage prepaid, at least thirty (30) days prior to a redemption date to each registered securities depository and to the MSRB. In addition, in the event of a redemption caused by an advance refunding of the Series 2022E Bonds, the Paying Agent/Registrar shall send a second notice of redemption to the Persons specified in the immediately preceding sentence at least thirty (30) days but not more than ninety (90) days prior to the actual redemption date. Any notice sent to the registered securities depositories or the MSRB shall be sent so that they are received at least two (2) days prior to the general mailing, publication or electronic posting date of such notice. The Paying Agent/Registrar shall also send a notice of redemption to the registered owner of any Series 2022E Bonds who has not sent the Series 2022E Bonds in for redemption sixty (60) days after the redemption date. The failure to send, mail or receive any such notice described in this clause (b), or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Series 2022E Bond.

(c) The Board reserves the right to give notice of its election to optionally redeem Series 2022E Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of monies and/or Defeasance Securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the Board retains the right to rescind such notice at any time prior to the scheduled redemption date if the Board delivers a certificate or other direction to the Paying/Agent Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice of redemption shall be of no effect if such monies and/or Defeasance Securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any

such rescission to the affected Owners. Any Series 2022E Bonds subject to conditional redemption where redemption has been rescinded shall not constitute an event of default and shall remain outstanding.

(d) Each redemption notice, whether required in the FORM OF BOND or otherwise by this Resolution, shall contain a description of the Series 2022E Bonds to be redeemed, including the complete name of the Series 2022E Bonds, the series, the date of issue, the interest rate, the maturity date, the CUSIP number, if any, the amounts called of each Series 2022E Bond, the publication and mailing date for the notice, the date of redemption, the redemption price, the name of the Paying Agent/Registrar and the address at which the Series 2022E Bond may be redeemed including a contact person and telephone number.

(e) All redemption payments made by the Paying Agent/Registrar to the registered owners of the Series 2022E Bonds shall include a CUSIP number relating to each amount paid to such registered owner.

(f) Should notice to call Series 2022E Bonds for redemption at the option of the Board be given in the manner provided above, but the Board shall not be able to provide the Paying Agent/Registrar with amounts sufficient to effect on the date fixed for redemption the payment of the entire redemption price of the Series 2022E Bonds so called for redemption, no Series 2022E Bond shall be redeemed on the date fixed for redemption, and the notice of redemption for such Series 2022E Bonds shall be null and void. Such occurrence shall not result in default of the Board's payment obligations on the Series 2022E Bonds as provided herein or in the Series 2022E Bonds.

Section 3.05 Payment Upon Redemption.

(a) By each redemption date, the Board shall deposit with the Paying Agent/Registrar money sufficient to pay all amounts due on the redemption date.

(b) Upon presentation and surrender of any Bond called for redemption at the designated office of the Paying Agent/Registrar on or after the date fixed for redemption, the Paying Agent/Registrar shall pay the principal of and accrued interest on such Bond to the date of redemption from the money provided for that purpose.

Section 3.06 Effect of Redemption.

(a) Notice of redemption having been given, and due provision having been made for payment, Series 2022E Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption; thereafter, such Series 2022E Bonds or portions thereof shall cease to bear interest from the date fixed for redemption, whether or not such Series 2022E are presented and surrendered for payment on such date.

(b) If the Board shall fail to make provision for the payment of all sums due on a redemption date, then any Series 2022E Bond or portion thereof called for redemption shall continue to bear interest until due provision is made for the payment of same by the Board.

ARTICLE IV

FORM OF BONDS AND CERTIFICATES

Section 4.01 Form of Bond and Certificates. The form of all Series 2022E Bonds, including the form of the Authentication Certificate and the form of Assignment to be printed on each of the Series 2022E Bonds, and the form of registration certificate of the Comptroller that shall accompany the Initial Bonds, shall be substantially in the form as set forth in the FORM OF BOND, with such appropriate variations, omissions or insertions as are permitted or required by this Resolution or the applicable Approval Certificate. The Series 2022E Bonds may have such letters, numbers or other identifying marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements thereon as may, consistent herewith, be approved by the Chair of the Board or the Authorized Representative.

Section 4.02 Opinion of Bond Counsel. A copy of the approving opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the Board in connection with the issuance of the Series 2022E Bonds, in the form in which it is to be delivered upon payment for the Series 2022E Bonds, either will be printed on the reverse side of or otherwise attached to the Series 2022E Bonds or will be delivered to DTC if the Series 2022E Bonds are held in book-entry only form; and the use of the lithographed or printed facsimile signature of the Executive Administrator to certify to the correctness of such copy is hereby authorized.

Section 4.03 Printing of Statement of Insurance. The Board hereby authorizes the printer of the Series 2022E Bonds to print thereon any statement of insurance with respect to the Series 2022E Bonds furnished by any municipal bond insurance company insuring the Series 2022E Bonds.

ARTICLE V

**SECURITY AND PAYMENT OF BONDS;
ESTABLISHMENT AND FLOW OF FUNDS**

Section 5.01 General Obligations. The EDAP Bonds, including the Previously Issued EDAP Bonds and the Series 2022E Bonds, constitute general obligations of the State pursuant to Section 49-d-8, and for the faithful performance in proper time and manner of each official or other act required and necessary to provide for the prompt payment of principal of and premium, if any, and interest on each of the EDAP Bonds when due, the full faith and credit of the State and, in the manner herein provided, the resources of the Board are hereby pledged.

Section 5.02 Confirmation of Texas Water Development Fund II. It is found, determined and confirmed that Development Fund II has been established in the State Treasury. Pursuant to the Act, Development Fund II shall contain the State Participation Account, the Economically Distressed Areas Program Account and the Financial Assistance Account. In addition, Development Fund II may contain such additional accounts as the Board determines are necessary and convenient for the administration of Development Fund II.

Section 5.03 Confirmation of Constitutional and Statutory Funds.

(a) Section 49-d-8 and Legislative Powers. All Bond proceeds (other than any proceeds to be used to refund outstanding bonds or other obligations) shall be deposited in the State Treasury to the credit of the Economically Distressed Areas Program Account. Section 49-d-8 provides that accounts within Development Fund II shall consist of certain identified items, and Subsection (g) of Section 49-d-8 further states that:

“[Section 49-d-8] being intended only to establish a basic framework and not to be a comprehensive treatment of the Texas Water Development Fund II, there is hereby reposed in the legislature full power to implement and effectuate the design and objects of [Section 49-d-8], including the power to delegate such duties, responsibilities, functions, and authority to the Texas Water Development Board as it believes necessary.”

(b) Economically Distressed Areas Program Account. Consistent with the Act and Section 49-d-8, the “Texas Water Development Fund II Economically Distressed Areas Program Account” (the “**Economically Distressed Areas Program Account**”) shall receive such moneys as described below, and the moneys therein shall be used as described below:

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

(ii) money from the sale, transfer, or lease of an EDAP Project that was acquired, constructed, reconstructed, developed, or enlarged with money from the Economically Distressed Areas Program Account;

(iii) payments received under a Bond Enhancement Agreement with respect to EDAP Bonds designated by the Board as issued for EDAP Projects;

(iv) investment income earned on money on deposit in the Economically Distressed Areas Program Account; and

(v) any other funds, regardless of their source, that the Board directs be deposited to the credit of the Economically Distressed Areas Program Account.

Except for those moneys that the Board determines are unavailable for such purpose, moneys on deposit in the Economically Distressed Areas Program Account shall be used to pay principal and interest on the EDAP Bonds. The Board may use moneys on deposit in the Economically Distressed Areas Program Account for EDAP Projects in any manner that the Board determines necessary for the administration of the Economically Distressed Areas Program Account, consistent with the provisions of Section 49-d-8 and the laws of the State, including specifically the Act, and this Resolution. Moneys on deposit in the Economically Distressed Areas Program Account also be used for payment of the expenses of the Board incurred in connection with the issuance of the EDAP Bonds and the administration of Development Fund II.

(c) Bond Payment Account. The Board has established in the State Treasury the “Texas Water Development Fund II Economically Distressed Areas Program Bond Payment Account” (the “Bond Payment Account”), as a special account into which shall be deposited in the manner, within the time limits, and from sources as prescribed in Sections 5.04 and 5.05, amounts sufficient to pay when due the principal of and premium, if any, and interest payable on the EDAP Bonds, including, to the extent determined by

the Board, amounts sufficient to make payments by the Board under one or more Bond Enhancement Agreements with respect to principal or interest on such EDAP Bonds.

Section 5.04 Flow of Funds For Debt Service.

(a) Transfers for Payments of Bonds. While and so long as any EDAP Bond is outstanding, on or before the date interest or interest and principal on the Bonds is scheduled to become due and payable, the Board shall cause to be transferred, from the moneys available for such purpose in the Economically Distressed Areas Program Account, to the Bond Payment Account an amount which shall be sufficient to pay the principal of and premium, if any, and interest on the EDAP Bonds, including, to the extent determined by the Board, an amount which shall be sufficient to make payments by the Board under one or more Bond Enhancement Agreements with respect to principal or interest on such EDAP Bonds, when such interest or principal and interest, and premium, if any, or such payments, if any, become due and payable, with allowance being made for moneys currently on deposit in the Bond Payment Account and available to make such payments.

(b) Notice to Comptroller of Insufficient Funds. If the Executive Administrator or the designee thereof determines within fifteen (15) days of an interest or principal payment date that the money available in the Economically Distressed Areas Program Account for transfer to the Bond Payment Account, as described in subsection (a) of this Section, is not sufficient to pay the principal of, premium, if any, and interest on the EDAP Bonds which then are outstanding and are scheduled to be due and payable on such interest or principal payment date, including, to the extent determined by the Board, an amount which shall be sufficient to make payments by the Board under one or more Bond Enhancement Agreements with respect to principal or interest on such EDAP Bonds, it is hereby made the duty of the Executive Administrator or the designee thereof to request the Comptroller to deposit in the Bond Payment Account out of the first moneys coming into the State Treasury, not later than three (3) days prior to such interest or principal payment date, or as soon thereafter as sufficient money shall have been received in the State Treasury, an amount sufficient so that the total amount in the Bond Payment Account will be sufficient to pay the principal, premium, if any, and interest to mature and come due on such interest or principal payment date, or to make any payments by the Board, to the extent determined by the Board, under any Bond Enhancement Agreement with respect to principal or interest on such EDAP Bonds, and to pay all collection and exchange charges in connection therewith.

(c) Use of Remaining Moneys. After making the transfers for the benefit of the Bond Payment Account as provided above in this Section, other available moneys remaining in the Economically Distressed Areas Program Account may, at the direction of the Board, be used for all of the purposes for which the Board may expend moneys in the Economically Distressed Areas Program Account under Section 49-d-8.

(d) Bond Enhancement Agreement. Payments to be made by the Board under the terms of a Bond Enhancement Agreement shall be governed by the resolution adopted by the Board authorizing the execution and delivery of such Bond Enhancement Agreement.

(e) Transfers Upon Board Resolution. Anything contained in this Section to the contrary notwithstanding, money in the Economically Distressed Areas Program Account representing proceeds from a series of EDAP Bonds, prepayments of financial assistance provided from the Economically Distressed Areas Program Account or proceeds from the sale or other disposition of the Board's rights to

receive repayment of such financial assistance shall not be available for transfer to the Bond Payment Account unless by resolution the Board specifically authorizes the transfer of any such proceeds or prepayments so identified in said resolution to the Bond Payment Account. Proceeds from the Series 2022E Bonds shall be deposited to the Bond Payment Account to the extent specified in the applicable Approval Certificate.

Section 5.05 Constitutional Provisions for Debt Payment. The Board recognizes the absolute and ultimate obligation of the State to provide during each Fiscal Year all money necessary for the payment of the principal of and premium, if any, and interest on the EDAP Bonds, including payments by the Board under one or more Bond Enhancement Agreements with respect to principal or interest on such EDAP Bonds, when such interest or principal and interest become due, out of the first moneys coming into the State Treasury, in such Fiscal Year, not otherwise appropriated by the State Constitution, as set forth in Subsection (e) of Section 49-d-8, as follows:

“... If there is not enough money in any account available to pay the principal of and interest on the general obligation bonds issued for such account, including money to make payments by the Texas Water Development Board under a bond enhancement agreement as authorized by law with respect to principal of or interest on such bonds, there is appropriated out of the first money coming into the state treasury in each fiscal year not otherwise appropriated by this constitution an amount that is sufficient to pay the principal of and interest on such general obligation bonds that mature or become due during that fiscal year or to make bond enhancement payments with respect to those bonds.”

Section 5.06 Deposit and Transfer of Funds - Duties of Comptroller. The Comptroller is hereby authorized and directed to make the deposits and transfers required under all provisions of the resolutions authorizing the EDAP Bonds, including this Resolution. The Comptroller is hereby authorized and directed to do all things necessary or convenient to make current funds available at the place of payment for the EDAP Bonds (including the Designated Payment/Transfer Office of the Paying Agent/Registrar for the Series 2022E Bonds) to pay principal of and interest on all EDAP Bonds as they mature and come due and to provide such current funds as are required for the redemption thereof prior to maturity, or to make any payments under one or more Bond Enhancement Agreements with respect to principal or interest on such EDAP Bonds, all in accordance with their respective authorizing resolutions. It is made the duty of the Comptroller to make such deposits and transfers as are required in instances wherein the Board exercises its option to call EDAP Bonds for payment prior to maturity. Remittances to the place of payment for the EDAP Bonds (including the Designated Payment/Transfer Office of the Paying Agent/Registrar for the Series 2022E Bonds) of money for payment of principal and interest or for redemption of EDAP Bonds must be made in accordance with the provisions hereof.

Section 5.07 Payment of Bonds. The Board hereby covenants that it shall establish procedures with the Comptroller whereby sufficient moneys shall be withdrawn from the Bond Payment Account and forwarded to the place of payment for the EDAP Bonds (including the Paying Agent/Registrar for the Series 2022E Bonds) for the payment of interest on and principal of the EDAP Bonds, and any premium thereon, becoming due on each interest or principal payment date. The Board further covenants that it shall establish procedures with the Comptroller whereby sufficient moneys shall be withdrawn from the Bond Payment Account and forwarded to the place of payment for the payments, if any, to be made under one or more Bond Enhancement Agreements with respect to the principal or interest on such EDAP Bonds. In addition, the Board covenants that such moneys shall be forwarded to the place of payment for

the EDAP Bonds (including the Designated Payment/Transfer Office of the Paying Agent/Registrar for the Series 2022E Bonds), or the place of payment for such payments, if any, to be made under any such Bond Enhancement Agreement, no later than each such interest or principal payment date.

Section 5.08 Cooperation with State Officers. It is the duty of the Board, its officers, employees and agents (who are hereby so authorized and directed) to cooperate with and aid the Comptroller in calculating the amounts to be deposited in, or transferred to, the appropriate accounts and in ascertaining the amounts to be remitted to the place of payment for the EDAP Bonds (including the Designated Payment/Transfer Office of the Paying Agent/Registrar for the Series 2022E Bonds), or the place of payment for such payments, if any, to be made under any such Bond Enhancement Agreement.

Section 5.09 Investment of Funds. All money in Development Fund II and the accounts created therein that is not immediately committed to the purposes thereof or the payment of the EDAP Bonds issued for any such account may be invested by the Board in Eligible Investments, and the Board may sell any Eligible Investment at the governing market rate.

ARTICLE VI

COVENANTS AND REMEDIES

Section 6.01 Special Covenant. The Board covenants that it will faithfully and promptly deposit into the Economically Distressed Areas Program Account all money received from the sale of obligations acquired from Political Subdivisions with moneys from the Economically Distressed Areas Program Account.

Section 6.02 Covenants to Maintain Tax-Exempt Status.

(a) **Definitions.** When used in this Section, the following terms have the following meanings:

“**Closing Date**” means the date on which the Common Issue Bonds are first authenticated and delivered to the initial purchasers against payment therefor.

“**Code**” means the Internal Revenue Code of 1986, as amended by all legislation, if any, effective on or before the Closing Date.

“**Computation Date**” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“**Gross Proceeds**” means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Common Issue Bonds.

“**Investment**” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“**Nonpurpose Investment**” means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Common Issue Bonds are invested and which is not acquired to carry out the governmental purposes of the Common Issue Bonds.

“Rebate Amount” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“Regulations” means any proposed, temporary, or final Income Tax Regulations issued pursuant to Sections 103 and 141 through 150 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to the Common Issue Bonds. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

“Yield” of

(i) any Investment has the meaning set forth in Section 1.148-5 of the Regulations;
and

(ii) the Common Issue Bonds has the meaning set forth in Section 1.148-4 of the Regulations.

(b) Not to Cause Interest to Become Taxable. The Board shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which if made or omitted, respectively, would cause the interest on any Common Issue Bond to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Board receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Common Issue Bond, the Board shall comply with each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except as permitted by section 141 of the Code and the Regulations and rulings thereunder, the Board shall at all times prior to the last stated maturity of the Common Issue Bonds:

(1) take any action necessary to assure that state or local governments exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Common Issue Bonds, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(2) take any action necessary to assure that state or local governments do not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Common Issue Bonds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, unless either (i) such use is merely as a member of the general public on the same terms as all other members of the general public, except possibly any rate differences corresponding to amount of use or (ii) such charge or payment consists of taxes of general application within the state or local governments or

interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan. Except to the extent permitted by section 141 of the Code and the Regulations and rulings thereunder, the Board shall not use Gross Proceeds of the Common Issue Bonds and shall take any action necessary to assure that Gross Proceeds of the Common Issue Bonds are not used to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if: (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

(e) Allocation of, and Limitation on, Expenditures for Loans to Political Subdivisions. The Board shall account for the expenditure of the proceeds from the sale of the Common Issue Bonds and any investment earnings thereon to be used for the purposes described in Section 2.01 on its books and records in accordance with the requirements of the Code. The Board agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Common Issue Bonds.

(f) Disposition of Loans to Political Subdivisions. Loans to Political Subdivisions will not be sold or otherwise disposed in a transaction resulting in the receipt by the Board of cash or other compensation, unless the Board obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Common Issue Bonds, the proceeds of which were used to make or refinance the making of such loans. The Board shall assure that Political Subdivisions, or any related persons thereto, will be prohibited from purchasing the Common Issue Bonds or a portion thereof in an amount related to the amount of the loan to be acquired by the Board from any such Political Subdivision.

(g) Not to Invest at Higher Yield. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the Board shall not at any time prior to the final stated maturity of the Common Issue Bonds directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, exceeds the Yield of the Common Issue Bonds.

(h) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Regulations and rulings thereunder, the Board shall not take or omit to take any action which would cause the Common Issue Bonds to be federally guaranteed within the meaning of section 149(b) of the Code and the Regulations and rulings thereunder.

(i) Information Report. The Board shall timely file the information required by section 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(j) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Regulations and rulings thereunder:

(1) The Board shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last outstanding Common Issue Bond is discharged. However, to the extent permitted by law, the Board may commingle Gross Proceeds of the Common Issue Bonds with other money of the Board, provided that the Board separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(2) Not less frequently than each Computation Date, the Board shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Regulations and rulings thereunder. The Board shall maintain such calculations with its official transcript of proceedings relating to the issuance of the Common Issue Bonds until six years after the final Computation Date.

(3) As additional consideration for the purchase of the Common Issue Bonds by the purchasers thereof and the loan of the money represented thereby and in order to induce such purchase by measures designed to insure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the Board shall pay to the United States the amount that when added to the future value of previous rebate payments made for the Common Issue Bonds equals (i) in the case of a Final Computation Date as defined in Section 1.148-3(e)(2) of the Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by Section 148(f) of the Code and the Regulations and rulings thereunder. In order to facilitate compliance with this covenant, a "Rebate Fund" is hereby established by the Board for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other Person, including, without limitation, any bondholder. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(4) The Board shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3), and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under Section 1.148-3(h) of the Regulations.

(k) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the Board shall not, at any time prior to the earlier of the stated maturity or final payment of the Common Issue Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to Subsection (j) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of the Common Issue Bonds not been relevant to either party.

(l) Elections. The Board hereby directs and authorizes the Executive Administrator and the Chief Financial Officer of the Board, either or any combination of them, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Common Issue Bonds, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document.

(m) Common Issue Bonds Not Hedge Bonds.

(1) At the time the original bonds refunded by the Common Issue Bonds were issued, the Board reasonably expected that at least 85% of the spendable proceeds of such bonds would be spent within three years after such bonds were issued.

(2) Not more than 50% of the proceeds of the original bonds refunded by the Common Issue Bonds were invested in Nonpurpose Investments having a substantially guaranteed Yield for a period of 4 years or more.

Section 6.03 Creation of Accounts and Subaccounts. The Board covenants that it will maintain within the funds and accounts described in Section 5.03 such accounts and subaccounts as the Board, in cooperation with the Comptroller, determines necessary for the convenient and efficient administration of such funds and accounts so as not to commingle moneys derived from the issuance of or dedicated to the payment of bonds or other obligations issued by the Board, the interest on which is exempt from federal income taxation under the applicable provisions of the Code.

Section 6.04 Remedies of Bondholders. All rights available to the owners of the EDAP Bonds under the Constitution and the laws of the State, including, without limitation, Section 17.970, Texas Water Code, to compel the performance of their official duties by the Board, its officers and employees, and by other officers of the State to the end that the principal of and interest on the EDAP Bonds may be paid promptly, are hereby recognized.

Section 6.05 Bond Enhancement Agreements. Pursuant to authority granted to the Board by Section 17.954, Texas Water Code, the Board reserves the right at any time and from time to time to enter into one or more Bond Enhancement Agreements that the Board hereafter determines to be necessary or appropriate to place the obligation of the Board, as represented by the Series 2022E Bonds, in whole or in part, on the interest rate, currency, cash flow, or other basis desired by the Board.

ARTICLE VII

SUPPLEMENTS AND AMENDMENTS

Section 7.01 Amendment of Resolution with Consent of Registered Owners.

(a) Amendments Requiring Consent. The registered owners of Series 2022E Bonds aggregating in principal amount 51% of the aggregate principal amount or maturity amount, as the case may be, of the Series 2022E Bonds at the time outstanding (but not including in any case Series 2022E Bonds which may then be held or owned by or for the account of the Board) shall have the right from time to time to approve an amendment of this Resolution which may be deemed necessary or desirable by the Board; *provided, however*, that nothing herein contained shall permit or be construed to permit the

amendment of the terms and conditions contained in this Resolution or in the Series 2022E Bonds so as to:

- (i) make any change in the maturity of any of the Series 2022E Bonds;
- (ii) reduce the rate of interest borne by any of the Series 2022E Bonds;
- (iii) reduce the principal amount or maturity amount, as applicable, payable on any of the Series 2022E Bonds;
- (iv) modify the terms of payment of principal of or interest on or maturity amount of, as the case may be, any Series 2022E Bond, or impose any conditions with respect to such payment;
- (v) change the minimum percentage of the principal amount or maturity amount of the Series 2022E Bonds necessary for consent to such amendment; or
- (vi) affect the rights of the registered owners of less than all of the Series 2022E Bonds then outstanding;

unless such amendment or amendments be approved by the registered owners of all of the Series 2022E Bonds at the time outstanding.

(b) Notice. If at any time the Board shall desire to amend this Resolution under this Section, the Board shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in The City of New York, New York, or the City of Austin, Texas, once during each calendar week for at least four (4) successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of the Board and the designated office of the Paying Agent/Registrar for inspection by all registered owners of Series 2022E Bonds. Such publication is not required, however, if notice in writing is given to each registered owner.

(c) Adoption of Amendatory Resolution. Whenever at any time, within one (1) year from the date of this publication of said notice or other service of written notice, the Board shall receive an instrument or instruments executed by the registered owners of at least 51% in aggregate principal amount or maturity amount, as the case may be, of Series 2022E Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file with the Paying Agent/Registrar, the Board may adopt the amendatory resolution in substantially the same form.

(d) Effectiveness of Consents. Any consent given by the registered owner of a Series 2022E Bond pursuant to the provisions of this Resolution shall be irrevocable for a period of six (6) months from the date of the first publication or mailing of the notice provided for in this Resolution, and shall be conclusive and binding upon all future registered owners of the same Series 2022E Bond during such period. Such consent may be revoked at any time after six (6) months from the date of the first publication or mailing of such notice by the registered owner who gave such consent, or by a successor in title, by filing notice of such revocation with the Paying Agent/Registrar and the Board, but such revocation shall not be effective if the registered owners of 51% in aggregate principal amount and maturity amount, as applicable, of the Series 2022E Bonds outstanding as in this Section defined have, prior to the attempted revocation, consented to and approved the amendment.

(e) Proof of Ownership. For the purposes of this Section, proof of ownership of any Series 2022E Bond shall be established by the registration of any such Series 2022E Bond on the Registration Books kept and maintained by the Paying Agent/Registrar.

Section 7.02 Amendment of Resolution Without Consent of Registered Owners.

(a) Amendments Not Requiring Consent. The foregoing provisions of this Article notwithstanding, the Board may, without prior notice to or the consent of the registered owners, pursuant to an amendatory resolution, from time to time:

(i) impose conditions or restrictions additional to, but not in diminution of, those contained in this Resolution, respecting the issuance of EDAP Bonds;

(ii) undertake covenants additional to but not inconsistent with those contained in this Resolution;

(iii) correct any ambiguity or correct or supplement any inconsistent or defective provision contained in this Resolution or any amendatory resolution;

(iv) adopt amendments to this Resolution that provide for the payment of principal of and interest on the EDAP Bonds or the payment of administrative expenses of the Board from Bond proceeds; or

(v) adopt amendments to this Resolution (including specifically, without limitation, amendments under authority of Section 7.02 and 9.04) that, in the opinion of nationally-recognized bond counsel acceptable to the Board, do not adversely affect the registered owners.

(b) Specific Amendments not Requiring Consent. In addition to the foregoing, the Board expressly reserves the right, without prior notice to or consent from the registered owners of the EDAP Bonds, to amend the provisions of ARTICLE VII of this Resolution to reflect subsequent amendments to the State Constitution and the Act, including, without limitation, amendments altering:

(i) the administration of Development Fund II; or

(ii) the accounts within Development Fund II; or

(iii) the deposit or application of moneys received by the Board as repayments of loans to Political Subdivisions and interest on those loans, or proceeds from the sale, transfer or lease of facilities held for any account within Development Fund II; or

(iv) the use of the proceeds of the EDAP Bonds; or

(v) the rights, duties and obligations of the Comptroller as specified in ARTICLE VII;

or

(vi) the procedure for payment of the EDAP Bonds; or

(vii) the payment of expenses of administering Development Fund II and other authorized expenses of the Board; or

(viii) the administration of the Water Infrastructure Fund;

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

(1) the Board receives an opinion of nationally-recognized bond counsel acceptable to the Board to the effect that such amendments comply with the Act, that the EDAP Bonds continue to be general obligations of the State and the State Constitution provides for appropriation out of the first money coming into the State Treasury in each Fiscal Year, not otherwise appropriated by the State Constitution, of an amount sufficient to pay the principal of and interest on the EDAP Bonds that mature or become payable during that Fiscal Year, to the extent ‘the same are not otherwise paid from funds pledged to their payment;

(2) bond counsel acceptable to the Board renders an opinion substantially to the effect that any such amendment will not adversely affect the excludability of interest on any tax-exempt EDAP Bonds from gross income for federal income tax purposes; and

(3) each nationally-recognized securities rating agency that issued a rating at the time the EDAP Bonds were initially delivered to the underwriters or purchasers thereof and that has a then existing rating thereon confirms in writing that subsequent to any such amendment, the EDAP Bonds will continue to be rated as general obligation bonds of the State.

(c) Notice. If the Board so amends this Resolution as provided in subsection (b) above, it shall cause notice of such amendment to be published one (1) time in a financial newspaper or journal of general circulation in the City of New York, New York, or the City of Austin, Texas. Such notice shall contain a summary of the amendatory language, recite that the conditions set forth in clauses (A), (B) and (C) of subsection (b) have been satisfied, and recite the effective date of such amendment. Such notice shall be published within thirty (30) days of the effective date of such amendment as set forth in such notice. Such notice shall state that a copy thereof is on file at the principal office of the Board for inspection. Such publication is not required, however, if written notice is given to each registered owner of the EDAP Assistance Bonds.

Section 7.03 Effect of Amendatory Resolutions. Upon the adoption of any amendatory resolution pursuant to the provisions of this Section, this Resolution shall be deemed to be amended in accordance with such amendatory resolution, and the respective rights, duties and obligations of the Board under this Resolution and all the registered owners of outstanding Series 2022E Bonds shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such amendments.

Section 7.04 Bonds May Bear Notation. Series 2022E Bonds authenticated and delivered after the execution of any amendatory resolution pursuant to this Article may bear a notation in form approved by the Paying Agent/Registrar as to any matter provided for in such amendatory resolution. If the Board or the Paying Agent/Registrar shall so determine, new Series 2022E Bonds so modified as to conform, in the opinion of the Board and the Paying Agent/Registrar, to any such amendatory resolution may be prepared and executed by the Board and authenticated and delivered by the Paying Agent/Registrar in exchange for the Series 2022E Bonds then outstanding.

ARTICLE VIII

PROVISIONS CONCERNING SALE OF BONDS**Section 8.01 Issuance and Sale of Bonds.**

(a) Approval Certificate. Each Authorized Representative, acting for and on behalf of the Board, shall approve, execute and deliver one or more Approval Certificates, which completed and executed Approval Certificates shall evidence the sale (including the date of such sale) of a series or subseries of Series 2022E Bonds by the Board to the Purchaser. The Approval Certificate shall contain a finding substantially to the effect that based on recommendations made to the Authorized Representative by the financial advisor to the Board, the terms of the sale of the Series 2022E Bonds were the most advantageous to the Board reasonably obtained, and the sale of the Series 2022E Bonds is in the best interests of the Board.

(b) Competitive Sale. The Series 2022E Bonds shall be sold and delivered to the Purchaser at a price to be set forth in the Approval Certificate, in accordance with the Notice of Sale and Official Bid Form to be used in connection with the competitive sale of the Series 2022E Bonds, the forms of which are hereby approved by the Board. Each Authorized Representative is hereby authorized and directed to execute, for and on behalf of the Board, the Official Bid Form of the bidder providing the lowest true interest cost rate to the Board, and each Authorized Representative and all other officers, agents, and representatives of the Board is hereby authorized to do any and all things necessary or desirable to satisfy the conditions set out therein and to provide for the issuance and delivery of the Series 2022E Bonds. An Authorized Representative's approval of an Official Bid Form of the bidder providing the lowest true interest cost rate to the Board shall be conclusively evidenced by the execution thereof. It is hereby officially found, determined, and declared that the terms of this sale were and are to be negotiated under authority granted by Section 17.955, Texas Water Code.

(c) Ratings. No Series 2022E Bonds shall be delivered unless prior to delivery, the particular series or subseries of Series 2022E Bonds shall have been rated by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for long term obligations, as required by Chapter 1371.

(d) Payment of Attorney General Fee. The Board hereby authorizes the payment of the fee of the Attorney General for the examination of the proceedings relating to the issuance of the Series 2022E Bonds, in the amount determined in accordance with the provisions of Section 1202.004, Texas Government Code.

(e) Effect of Determination Made by Authorized Representative. A finding or determination made by an Authorized Representative acting under the authority delegated thereto by this Resolution with respect to all matters relating to the issuance and sale of the Series 2022E Bonds shall have the same force and effect as a finding or determination made by the Board.

Section 8.02 Official Statement. Prior to execution of an Official Bid Form and Approval Certificate, the Authorized Representative, acting for and on behalf of the Board, shall cause a preliminary Official Statement to be prepared for distribution in connection with the initial offering and sale of the Series 2022E Bonds, such document to be in substantially the form utilized in connection with the sale of EDAP Bonds previously issued by the Board to finance EDAP Projects, with such changes and completions as

the Authorized Representative may deem necessary or appropriate to enable the Authorized Representative, acting for and on behalf of the Board, to deem the preliminary Official Statement to be final as of its date, except for such omissions as are permitted by the Rule. Within seven (7) business days after the execution of Official Bid Form and Approval Certificate, the Authorized Representative, acting for and on behalf of the Board, shall cause a final Official Statement to be provided to the Purchaser in compliance with the Rule and the rules of the MSRB. The use of such final Official Statement by the Purchaser is hereby approved and authorized and the proper officials of the Board are authorized to sign such Official Statement.

Section 8.03 Custody of Bonds. After the Initial Bonds have been executed, it shall be the duty of the Chair of the Board, or some officer, employee or attorney of the Board acting through authority therefrom, to deliver the Initial Bonds to the Attorney General for examination and approval. After the Initial Bonds shall have been approved by the Attorney General they shall be delivered to the Comptroller for registration. The Initial Bonds thus registered shall remain in the custody of the Chair of the Board, or some officer, employee or attorney of the Board acting through authority therefrom, or subject to the order of the Chair, until delivery of the Series 2022E Bonds to the Purchaser on the Date of Delivery.

Section 8.04 Use of Bond Proceeds. Proceeds from the sale of Series 2022E Bonds shall, promptly upon receipt by the Board, be deposited to the credit of the funds and accounts described in this Resolution and applied in the manner specified in the applicable Approval Certificate signed by an Authorized Representative.

ARTICLE IX

CONTINUING DISCLOSURE UNDERTAKING

Section 9.01 Continuing Disclosure Undertaking of the Comptroller.

(a) **General.** The Board and the legal and beneficial owners of the Series 2022E Bonds are third-party beneficiaries of the Continuing Disclosure Agreement. The Comptroller is required to observe the Continuing Disclosure Agreement in respect of any issue of "Securities," as defined in the Continuing Disclosure Agreement (which include the Series 2022E Bonds), for so long as the State remains an "obligated person" as defined in the Rule. Under the Continuing Disclosure Agreement, the Comptroller will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB as described below.

(b) **Annual Reports of the State.** Pursuant to the Continuing Disclosure Agreement, the Comptroller will provide certain updated financial information and operating data to the MSRB annually. The Comptroller is not obligated to provide such financial and operating data more frequently than on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the State of the general type included in the Bond Appendix. The Comptroller will update and provide this information within 195 days after the end of each fiscal year of the State. The updated information provided by the Comptroller need not be audited, but the Comptroller will provide audited financial statements of the State prepared in accordance with generally accepted accounting principles for governmental entities when the State Auditor completes its statutorily required audit of such financial statements. The accounting principles pursuant to which such financial statements must be prepared may be changed from time to time to comply with State law.

(c) Event Notices of the Comptroller. Under the Continuing Disclosure Agreement, the Comptroller has also agreed to provide notice to the MSRB of any of the following events, with respect, to the Series 2022E Bonds, in a timely manner and not more than ten (10) business days after occurrence of the event:

(i) incurrence of a Financial Obligation of the State, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the State, any of which affect security holders, if material; and

(ii) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the State, any of which reflect financial difficulties.

(d) Change in State Fiscal Year. The State's current fiscal year end is August 31. If the State changes its fiscal year, the Comptroller will notify the MSRB of the change prior to the next date by which the Comptroller otherwise would be required to provide financial information and operating data as described above.

Section 9.02 Continuing Disclosure Undertaking of the Board

(a) Annual Reports of the Board. The Board shall provide annually to the MSRB, within 195 days after the end of each Fiscal Year ending in or after 2022, financial information and operating data with respect to the Board and the State of the general type included in Table 1, Table 2, and Appendix B of the final Official Statement authorized by **Section 8.02** hereof, being the information described in **Exhibit B** hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in **Exhibit B** hereto and (2) audited, if the Board or the State, as appropriate, commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not so provided, then the Board shall provide unaudited financial statements within the required time for the applicable Fiscal Year to the MSRB, and audited financial statements when and if audited financial statements become available.

(b) Event Notices of the Board. The Board shall notify the MSRB, in a timely manner not in excess of ten (10) Business Days after the occurrence of any of the following events with respect to the Series 2022E 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 2022E Bonds, or other material events affecting the tax status of the Series 2022E Bonds;
- (7) Modifications to rights of holders of the Series 2022E Bonds, if material;
- (8) Series 2022E Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Series 2022E 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 or business 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 or additional Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material.

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. 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 Section 9.02(a) by the time required by such Section.

(c) Change in Board Fiscal Year. 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 pursuant to this Section.

Section 9.03 Incorporation by Reference. 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. All filings shall be made electronically, in the format specified by the MSRB.

Section 9.04 Limitations, Disclaimers, and Amendments. The Board shall be obligated to observe and perform the covenants specified in this this Article for so long as, but only for so long as, the Board or the State remains an “obligated person” with respect to the Series 2022E Bonds within the meaning of the Rule, except that the Board in any event will give the notice required by Section 9.02(b) of any Series 2022E Bond calls and defeasance that cause the Board and the State to be no longer “obligated persons”.

The provisions of this Article are for the sole benefit of the holders and beneficial owners of the Series 2022E Bonds, and nothing in this Article, 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 this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Board’s or the State’s financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article 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 2022E Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE BOARD BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY SERIES 2022E 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 THIS ARTICLE, 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.

All documents provided to the MSRB shall be accompanied by identifying information, as prescribed by the MSRB.

No default by the Board in observing or performing its obligations under this Article shall constitute a breach of or default under this Resolution for purposes of any other provision of this Resolution.

Nothing in this Article is intended or shall act to disclaim, waive, or otherwise limit the duties of the Board or the State under federal and State securities laws.

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.

The provisions of this Article may be amended by the Board from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Board or the State, but only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Series 2022E Bonds in the primary offering of the Series 2022E Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount or maturity amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding Series 2022E Bonds consent to such amendment or (b) a Person that is unaffiliated with the

Board and the State (such as nationally-recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Series 2022E Bonds. If the Board so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with Section 9.02(a) an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Board may also amend or repeal the provisions of this continuing disclosure requirement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Series 2022E Bonds in the primary offering of the Series 2022E Bonds.

ARTICLE X

DEFEASANCE

Section 10.01 Series 2022E Bonds Deemed Paid. Any Series 2022E Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a “Defeased Bond”), except to the extent hereinafter provided in this Article, when payment of the principal of such Series 2022E Bond, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other similar instrument (the “**Future Escrow Agreement**”) for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Board with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Series 2022E Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Series 2022E Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Economically Distressed Areas Program Account, and such principal and interest shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of this Resolution to the contrary, it is hereby provided that any determination not to redeem Defeased Bonds that is made in conjunction with the payment arrangements specified in clauses (i) or (ii) above shall not be irrevocable; provided, that in the proceedings providing for such payment arrangements, the Board (1) expressly reserves the right to call the Defeased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Bonds immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

Section 10.02 Investment in Defeasance Securities. Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Board be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Series 2022E Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Board, or deposited as directed in writing by the Board. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in clauses (i) or (ii) of

Section 10.01. All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Bonds, with respect to which such money has been so deposited, shall be remitted to the Board or deposited as directed in writing by the Board.

Section 10.03 Paying Agent/Registrar Services. Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Board shall make proper arrangements to provide and pay for such services as required by this Resolution.

Section 10.04 Selection of Series 2022E Bonds for Defeasance. In the event that the Board elects to defease less than all of the principal amount of Series 2022E Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Series 2022E Bonds by such random method as it deems fair and appropriate and consistent with the terms of this Resolution.

ARTICLE XI

MISCELLANEOUS PROVISIONS

Section 11.01 Further Procedures. The Chair of the Board, the Executive Administrator, the Development Fund Manager, the General Counsel, the Chief Financial Officer, and/or any other officers of the Board and each of them, shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the seal of the Board and on behalf of the Board all agreements, instruments, or such other documents, whether mentioned herein or not, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, and the initial sale and delivery of the Series 2022E Bonds. In addition, prior to the initial delivery of the Series 2022E Bonds, the Chair of the Board, the Executive Administrator, the Development Fund Manager, the Chief Financial Officer, and/or the General Counsel of the Board and the Board's Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Resolution or to any of the instruments authorized and approved by this Resolution: (i) in order to cure any technical ambiguity, formal defect, or omission in the Resolution or such other document; or (ii) as requested by the Attorney General or his representative to obtain the approval of the Series 2022E Bonds by the Attorney General and if such officer or counsel determines that such ministerial changes are consistent with the intent and purpose of the Resolution, which determination shall be final. In the event that any officer of the Board whose signature shall appear on any document shall cease to be such officer before the delivery of such document, such signature nevertheless shall be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

Section 11.02 Open Meeting; Notice. It is hereby officially found and determined that the meeting at which this Resolution is adopted is open to the public as required by law at all times during which this Resolution and the subject matter thereof are discussed, considered and formally acted upon; and reasonable notice of this meeting was delivered to the Secretary of State of the State, as required by Chapter 551.

Section 11.03 Prior Actions. All actions taken by the Board authorizing the issuance of the Series 2022E Bonds are in all things approved, ratified and confirmed, except that to the extent such actions

conflict with any provision of this Resolution, the terms and provisions of this Resolution shall control and prevail.

Section 11.04 Perfection of Security Interest in Pledge. Chapter 1208 applies to the issuance of the Series 2022E Bonds and the pledge of the credit of the State made pursuant to Section 49-d-8, and such pledge is therefore valid, effective, and perfected. If State law is amended at any time while the Series 2022E Bonds are outstanding and unpaid such that such pledge is to be subject to the filing requirements of Chapter 9, then in order to preserve to the registered owners of the Series 2022E 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 and enable a filing to perfect the security interest in said pledge to occur.

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ADOPTED AND APPROVED this May 11, 2022.

Brooke T. Paup, Chairwoman
Texas Water Development Board

ATTEST:

Jeff Walker, Executive Administrator
Texas Water Development Board

(SEAL)

LIST OF EXHIBITS

Exhibit A	Form of Bond
Exhibit B	Description of Annual Financial Information of the Board

EXHIBIT A

FORM OF BOND

NO. _____

\$ _____

UNITED STATES OF AMERICA
 STATE OF TEXAS
 WATER FINANCIAL ASSISTANCE BOND
 SERIES 2022E (ECONOMICALLY DISTRESSED AREAS PROGRAM)¹

MATURITY DATE

INTEREST RATE
 %

DATED DATE
 _____, 2022

CUSIP

Registered Owner:

Principal Amount:

ON THE MATURITY DATE SPECIFIED ABOVE, THE STATE OF TEXAS, ACTING BY AND THROUGH THE TEXAS WATER DEVELOPMENT BOARD (the "Board"), hereby promises to pay to the registered owner specified above, or to the registered assignees hereof (either being hereinafter called the "registered owner") the principal amount specified above and to pay interest thereon, from the dated date of this Bond specified above, to the date of its scheduled maturity or date of redemption, prior to its scheduled maturity, at the rate of interest per annum specified above, with said interest being payable on February 1, 20_, and semiannually on each August 1 and February 1 thereafter, except that if the Paying Agent/Registrar's Authentication Certificate appearing on the face of this Bond is dated later than February 1, 20_, such interest is payable semiannually on each August 1 and February 1 following such date of authentication.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption, prior to its scheduled maturity, at the corporate trust office of The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar") in Dallas, Texas (the "Designated Payment/Transfer Office"). The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof as shown on the registration books kept by the Paying Agent/Registrar at the close of business on the fifteenth day of the month next preceding such interest payment date (the "Record Date") by check drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Board required to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, postage prepaid, on each such interest payment date, to the registered owner of record on the Record Date at its address as it appears on the registration books kept by the Paying Agent/Registrar, as hereinafter described. The Board covenants with the registered owner of this Bond that no later than each principal payment date and interest payment date for this Bond it will make available to the Paying Agent/Registrar the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Series 2022E Bonds (as defined herein) when due.

¹ Designation of subseries, if any, to be provided in an Approval Certificate.

INTEREST ON the Series 2022E Bonds shall be computed on the basis of a 360-day year of twelve 30-day months.

ANY PAYMENTS required to be made hereunder on any day which is not a Business Day (as defined below) shall be made instead on the next succeeding Business Day and no interest shall accrue on such payments in the interim. "Business Day" means a day other than a Saturday, Sunday, a legal holiday or a day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close. Notwithstanding the foregoing, during any period in which ownership of the Series 2022E Bonds is determined only by a book entry at a securities depository for the Series 2022E Bonds, any payment to the securities depository, or its nominee or registered assigns, shall be made in accordance with existing arrangements between the Board and the securities depository.

THIS BOND is one of a series of Bonds of like tenor and effect except as to number, maturity, interest rate and right of prior redemption, dated as of the dated date of this Bond specified above, aggregating _____ (\$ _____) (the "Series 2022E Bonds")¹, issued pursuant to authority granted to the Board by Section 49-d-8 of Article III of the Texas Constitution ("Section 49-d-8"), Section 49-d-14 of Article III of the Texas Constitution ("Section 49-d-14"), and Subchapter L, Chapter 17, Texas Water Code ("Subchapter L"), and a resolution authorizing the issuance of the series of Bonds of which this is one, adopted by the Board and duly of record in the minutes of the Board (hereinafter called the "Bond Resolution"), to provide funds for the Economically Distressed Areas Program Account for EDAP Projects and to pay expenses arising in connection with the issuance of the Series 2022E Bonds. In the Bond Resolution, the Board delegated to certain designated officials the authority to establish and approve the final terms of sale of the Series 2022E Bonds through the execution of one or more Approval Certificates (the Bond Resolution and applicable Approval Certificate are collectively referred to herein as the "Resolution"). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Resolution.

THE SERIES 2022E BONDS having stated maturities on and after _____, 20__ shall be subject to redemption prior to maturity, at the option of the Board, in whole or in part, in Authorized Denominations, on _____, 20__, or on any date thereafter, at the redemption price of par plus accrued interest to the date of redemption.

THE SERIES 2022E BONDS maturing on August 1, in the years _____ (the "Term Bonds") are subject to mandatory sinking fund redemption annually, on August 1 of the years and in the principal amounts set forth below, plus accrued interest from the most recent interest payment date on which interest has been paid or fully provided for, to the redemption date:

Term Bonds due August 1, 20

Mandatory Redemption Date (August 1)	<u>Principal Amount</u>
† Final Maturity	

¹ Designation of subseries, if any, to be provided in an Approval Certificate.

THE PRINCIPAL AMOUNT of Term Bonds required to be redeemed shall be reduced, at the option of the Board, by the principal amount of Term Bonds which, at least 50 days prior to the mandatory sinking fund redemption date (1) shall have been defeased or acquired by the Board and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Board with money in the Bond Fund, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory sinking fund redemption requirement. On or before August 1 of every year in which there are mandatory redemption requirements as defined above for the Term Bonds, the Paying Agent/Registrar shall determine the principal amount of Term Bonds that must be mandatorily redeemed on August 1 of such year, after taking into account deliveries for cancellation and prior redemption of Term Bonds as provided above.

THE SERIES 2022E BONDS shall be subject to extraordinary mandatory redemption prior to their scheduled maturities, on _____ (the "One-Year Extraordinary Mandatory Redemption"), in an amount equal to the Computation Amount applicable to the One Year Computation Period (as each term is defined in the Resolution), plus accrued interest to the date of such extraordinary mandatory redemption, at the redemption prices set forth below, expressed as percentages of the principal amount of each maturity of the Series 2022E Bonds so redeemed:

<u>Maturity</u>	<u>Redemption Price (%)</u>
-----------------	-----------------------------

THE FOREGOING NOTWITHSTANDING, the Series 2022E Bonds shall not be subject to such extraordinary mandatory redemption if the Board obtains an opinion of nationally-recognized bond counsel acceptable to the Board to the effect that the failure by the Board to cause such extraordinary mandatory redemption to occur will not adversely affect the excludability of interest on the Series 2022E Bonds from gross income for federal income tax purposes.

THE SERIES 2022E BONDS shall be subject to extraordinary mandatory redemption prior to their scheduled maturities, on _____ (the "Three-Year Extraordinary Mandatory Redemption"), in an amount equal to the Computation Amount applicable to the Three-Year Computation Period (as defined in the Resolution), plus accrued interest to the date of such extraordinary mandatory redemption, at the redemption prices set forth below, expressed as percentages of the principal amount of each maturity of the Series 2022E Bonds so redeemed:

<u>Maturity</u>	<u>Redemption (%)</u>
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FOLLOWING THE EARLIER OF (i) the 90th day after the Three-Year Computation Period for the Series 2022E Bonds and (ii) the date on which 95 percent of the proceeds of the Series 2022E Bonds have been used to make loans, if such date occurs prior to the end of the Three-Year Computation Period for the Series 2022E Bonds, the Series 2022E Bonds shall not be subject to extraordinary mandatory redemption.

THE FOREGOING NOTWITHSTANDING, the Series 2022E Bonds shall not be subject to such extraordinary mandatory redemption if the Board obtains an opinion of nationally recognized bond counsel acceptable to the Board to the effect that the failure by the Board to cause such extraordinary mandatory redemption to occur will not adversely affect the excludability of interest on the Series 2022E 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 of Bonds, as the case may be, the Series 2022E Bonds subject to such redemption shall be selected on a "Pro-Rata Basis"; provided, that if any amount required to be redeemed remains after such selection, such remaining amount shall be applied to the redemption of \$5,000 principal amount of each maturity of Series 2022E Bonds in inverse order of maturity. The term "Pro-Rata Basis" means that the principal amount of Series 2022E Bonds of a particular maturity shall be determined by multiplying the Computation Amount by the ratio which the principal amount of Series 2022E Bonds of such maturity then Outstanding bears to the aggregate principal amount of Series 2022E Bonds then Outstanding and subject to redemption.

IF FEWER THAN ALL OF THE SERIES 2022E BONDS are called for redemption, the maturities (or mandatory sinking fund redemption amounts within a maturity) to be redeemed will be selected by the Board, and the Series 2022E Bonds to be redeemed within any one maturity will be selected by the Paying Agent/Registrar by lot (or in such other manner as the Paying Agent/Registrar may determine) in integral multiples of \$5,000; *provided, however*, that during any period in which ownership of such Series 2022E Bonds to be redeemed is determined only by a book-entry at DTC, or a successor securities depository, if fewer than all of such Series 2022E Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Series 2022E Bonds of such maturity and bearing such interest rate will be selected in accordance with the arrangements between the Board and DTC or successor securities depository; *provided, further, however*, that such selection methodology shall not apply to the Series 2022E Bonds that are redeemed pursuant to application of the extraordinary mandatory redemption provisions above, in which case selection of redeemed Series 2022E Bonds shall occur in the manner described above.

AT LEAST thirty (30) days prior to the date fixed for any redemption, (a) a written notice of such redemption shall be given to the registered owner of each Bond or a portion thereof being called for redemption by depositing such notice in the United States mail, first-class postage prepaid, addressed to each such registered owner at his address shown on the registration books of the Paying Agent/Registrar, and (b) notice of such redemption either shall be published one (1) time in or posted electronically on the website of a financial journal or publication of general circulation in the United States of America or the State of Texas carrying as a regular feature notices of municipal bonds called for redemption; *provided, however*, that the failure to send, mail, or receive such notice described in clause (a) above, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond, and the Resolution provides that the provision of notice as described in clause (a) above shall be the only notice actually required in connection with or as a prerequisite to the redemption of any Bonds. By the date fixed for any such redemption due provision shall be made by the Board with the Paying Agent/Registrar for the payment of the required redemption price for this Bond or the portion hereof which is to be so redeemed, plus accrued interest thereon to the date fixed for redemption. Should notice to call Bonds for redemption at the option of the Board be given in the manner provided above, but the Board shall not be able to provide the Paying Agent/Registrar with amounts sufficient to effect on the date fixed for redemption the payment of the entire redemption price of the Series 2022E Bonds so called for redemption, no Bonds shall be redeemed on the date fixed for redemption, and the notice of redemption for such Bonds shall be null and void. Such occurrence shall not result in default of the Board's payment obligations on the Series 2022E Bonds as provided herein or in the Resolution. By each redemption date, the Board shall deposit with the Paying Agent/Registrar money sufficient to pay all amounts due on the redemption date.

THE BOARD RESERVES the right to give notice of its election to optionally redeem Series 2022E Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or Defeasance Securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the Board retains the right to rescind such notice at any time prior to the scheduled redemption date if the Board delivers a certificate or other direction to the Paying Agent/Registrar instruction the Paying Agent/Registrar to rescind the redemption notice, and such notice of redemption shall be of no effect if such moneys and/or Defeasance Securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission to the affected Owners. Any Bonds subject to conditional redemption where redemption has been rescinded shall not constitute an event of default and shall remain outstanding.

IF SUCH NOTICE of redemption is given, and if due provision for such payment is made, all as provided in the paragraph above, this Bond, or the portion thereof which is to be so redeemed, thereby automatically shall be redeemed prior to its scheduled maturity, and shall not bear interest after the date fixed for its redemption, and shall not be regarded as being Outstanding except for the right of the registered owner to receive the redemption price plus accrued interest to the date fixed for redemption from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/Registrar shall record in the Registration Books all such redemptions of principal of this Bond or any portion hereof. If a portion of any Bond shall be redeemed, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any Authorized Denomination, at the written request of the registered owner, and in an aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Board, all as provided in the Resolution.

THIS BOND OR ANY PORTION OR PORTIONS HEREOF IN ANY AUTHORIZED DENOMINATION may be assigned and shall be transferred only in the registration books of the Board kept by the Paying Agent/Registrar acting in the capacity of registrar for the Series 2022E Bonds, upon the terms and conditions set forth in the Resolution. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar at the Designated Payment/Transfer Office, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any Authorized Denomination to the assignee or assignees. A new Bond or Bonds payable to such assignee, or to the previous registered owner in the case of the assignment and transfer of only a portion of this Bond, shall be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the conversion and exchange of other Bonds.

AS PROVIDED in the Resolution, this Bond, or any unredeemed portion hereof, may, at the request of the registered owner or the assignee or assignees hereof, be converted into and exchanged for a like aggregate principal amount of fully registered Bonds payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date and interest rate, in any Authorized Denomination, as requested in writing by the appropriate registered owner or assignee, upon surrender of this Bond to the Paying Agent/Registrar at the Designated Payment/Transfer Office for cancellation.

NEITHER THE BOARD, the State of Texas, nor the Paying Agent/Registrar shall be required (a) to issue, transfer, exchange or make any conversion of any Bond subject to redemption during a period beginning at the opening of business thirty (30) days before the day of the first mailing of a notice of

redemption of Bonds and ending at the close of business on the day of such mailing or (b) to transfer or exchange any Bond after it is selected for redemption, in whole or in part, prior to the redemption date; provided, however, that at the option of the registered owner of at least \$1,000,000 in principal amount of the Series 2022E Bonds, the Paying Agent/Registrar shall be required to transfer or exchange any Bonds which have been selected in whole or in part for redemption upon the surrender thereof. The registered owner requesting conversion and exchange of any Bond or portion thereof shall pay the Paying Agent/Registrar's customary fees and charges, together with any taxes or governmental charges required to be paid with respect thereto, as a condition precedent to the exercise of such privilege of conversion and exchange, except, however, that in the case of the conversion and exchange of an assigned and transferred Bond or Bonds or portion thereof, and in the case of the conversion and exchange of a portion of a Bond which has been redeemed prior to maturity, as provided herein, the fees and charges of the Paying Agent/Registrar will be paid by the Board.

WHENEVER the beneficial ownership of this Bond is determined by a book entry at a securities depository for the Series 2022E Bonds, the foregoing requirements of holding, delivering or transferring this Bond shall be modified to require the appropriate person or entity to meet the requirements of the securities depository as to registering or transferring the book entry to produce the same effect.

IN THE EVENT any Paying Agent/Registrar for the Series 2022E Bonds is changed by the Board, resigns or otherwise ceases to act as such, the Board has covenanted in the Resolution that it promptly will appoint a competent and legally qualified substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owners of the Series 2022E Bonds.

BY BECOMING the registered owner of this Bond, the registered owner thereby acknowledges all of the terms and provisions of the Resolution, agrees to be bound by such terms and provisions, acknowledges that the Resolution is duly recorded and available for inspection in the official minutes and records of the Board, and agrees that the terms and provisions of this Bond and the Resolution constitute a contract between each registered owner hereof and the Board.

THE ISSUE of Bonds of which this is one shall be and is hereby made a general obligation of the State of Texas, pursuant to Section 49-d-8 and Subchapter L, and for the faithful performance of all covenants, recitals and stipulations herein contained, and for the faithful performance in proper time and manner of each official or other act required and necessary to provide for the prompt payment of principal of and interest on this Bond when due, the resources of the Board and the full faith and credit of the State of Texas are hereby pledged.

PAYMENTS OF THE PRINCIPAL OF and premium, if any, and interest on this Bond shall be made primarily from the "Texas Water Development Fund II Economically Distressed Areas Program Account" (the "Economically Distressed Areas Program Account") within the Texas Water Development Fund II ("Development Fund II") created by Section 49-d-8. The Economically Distressed Areas Program Account shall be comprised of (1) the Board's rights to receive repayment of financial assistance provided from such account, together with any evidence of such rights; (2) money received from the sale or other disposition of the Board's rights to receive repayment of such financial assistance; (3) money received as repayment of such financial assistance; (4) money and assets attributable to bonds issued and sold by the Board for such account, including money and assets transferred from the Texas Water Development Fund pursuant to Section 49-d-8; (5) money deposited to such account from the sale, transfer, or lease, in whole or in part, of facilities held for such account; (6) payments received by the Board under a bond enhancement

agreement as authorized by law with respect to bonds issued for such account; (7) interest and other income received from investment of money in such account; and (8) any other funds, regardless of their source, that the Board directs be deposited to the Economically Distressed Areas Program Account. Proceeds from the sale of the bonds on deposit in the Economically Distressed Areas Program Account shall not be available to pay the principal of and premium, if any, and interest on this Bond and the series of which it is a part unless specifically authorized by the Board. The Bonds and all other bonds or other obligations issued or incurred by the Board pursuant to Section 49-d-8, Section 49-d-9, Section 49-d-10, or Section 49-d-14 to provide funds for the Economically Distressed Areas Program Account of Development Fund II or to refund any such bonds or obligations are referred to herein as "EDAP Bonds". Section 49-d-8 provides that to the extent there is not money in any account available for payment of principal of and interest on the EDAP Bonds issued for such account, there is appropriated out of the first money coming into the State Treasury (as defined in the Resolution) in each fiscal year, not otherwise appropriated by the Texas Constitution, an amount which is sufficient to pay the principal of and interest on such EDAP Bonds that mature or become due during that fiscal year.

IT IS HEREBY certified and recited that all acts, conditions and things required to be done precedent to and in the issuance of this Bond and the series of which it forms a part have been properly done, have happened and have been performed in regular and due time, form and manner as required by the Constitution and laws of the State of Texas and the Resolution, and that the series of Bonds of which this is a part does not exceed any constitutional or statutory limitation, and that provision has been made for the payment of the principal of and interest on this Bond and the series of which it is a part as such principal and interest become due by a continuing appropriation heretofore made by Section 49-d-8 and by a pledge of the credit of the State of Texas.

[Remainder of Page Intentionally Left Blank]

IN TESTIMONY WHEREOF, this Bond is executed with the lithographed or printed facsimile or manual signatures of the Chairwoman of the Texas Water Development Board and the Executive Administrator, and the seal of said Board is lithographed, printed or manually impressed hereon.

THE STATE OF TEXAS

Chairwoman
Texas Water Development Board

ATTEST:

Executive Administrator
Texas Water Development Board

(SEAL)

[To accompany Definitive Bonds only]

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the Resolution described on the face of this Bond; and that this Bond has been issued in conversion of and exchange for or replacement of a Bond, Bonds or a portion of a Bond or Bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Texas Comptroller of Public Accounts.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., Paying Agent/Registrar

Dated _____

By: _____
Authorized Representative

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto (Print or typewrite name, address, and zip code of transferee:)

_____(Social Security or other identifying number _____) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

DATED:

Signature guaranteed:

NOTICE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within Bond in every particular.

[To accompany Initial Bond(s) only]

REGISTRATION CERTIFICATE OF
TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER)	
OF PUBLIC ACCOUNTS)	REGISTER NO. _____
THE STATE OF TEXAS)	

I HEREBY CERTIFY that this Bond has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and duly registered by the Texas Comptroller of Public Accounts.

WITNESS my signature and seal of office this _____.

Texas Comptroller of Public Accounts

(SEAL)

The Initial Series 2022E Bond shall be in the form set forth therefor in this Exhibit, except as follows:

Heading and paragraphs one (1) through three (3) shall be replaced as follows:

NO. T-1 \$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
WATER FINANCIAL ASSISTANCE BOND
SERIES 2022E (ECONOMICALLY DISTRESSED AREAS PROGRAM)¹

Bond Date:

_____, 2022

Registered Owner: _____

Principal Amount: _____ DOLLARS

THE STATE OF TEXAS, ACTING BY AND THROUGH THE TEXAS WATER DEVELOPMENT BOARD (the "Board"), for value received, acknowledges itself indebted to and hereby promises to pay to the registered owner named above, or the registered assigns thereof, the Principal Amount hereinabove stated on August 1 in the years and in principal installments in accordance with the following schedule:

<u>Year of Stated Maturity</u>	<u>Principal Amount (\$)</u>	<u>Interest Rates (%)</u>
------------------------------------	----------------------------------	-------------------------------

(Information to be inserted from Approval Certificate).

(without right of prior redemption) and to pay interest on the unpaid principal installments hereof from the date of its delivery at the per annum rates of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 1, 20__, and each August 1 and February 1 thereafter, until maturity. Principal installments of this Series 2022E Bond are payable in the year of maturity or on a redemption date to the registered owner hereof by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender, at its designated offices in East Syracuse, New York (the "Designated Payment/Transfer Office"). Interest is payable to the registered owner of this Bond whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date," which is the fifteenth day of the month next preceding each interest payment date, and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. All payments of principal of, premium, if any, and interest on this Bond shall be without exchange or collection charges to the registered owner hereof and in any coin or currency of the United States of America, which at the time of payment is legal tender for the payment of public and private debts. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day on which banking

¹ Designation of subseries, if any, to be provided in an Approval Certificate.

institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to be closed, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to be closed; and payment on such date shall have the same force and effect as if made on the original date payment was due.

EXHIBIT B

**DESCRIPTION OF ANNUAL FINANCIAL INFORMATION
OF THE BOARD**

The following information is referred to in Section 9.02 of this Resolution.

Annual Financial Statements and Operating Data

The financial information and operating data with respect to the Board to be provided annually in accordance with such Section is the quantitative financial information and operating data pertaining to the Board included in Table 1, Table 2, and Appendix B of the Official Statement relating to the Bonds.

Accounting Principles

The accounting principles referred to in such Section are generally accepted accounting principles for governmental units as prescribed by the Government Accounting Standards Board from time to time, as such principles may be changed from time to time to comply with state law or regulation.

PRELIMINARY OFFICIAL STATEMENT

Dated July 22, 2022

Ratings:

Fitch: "___"

S&P: "___"

(See "OTHER INFORMATION - Ratings" herein)

NEW ISSUE - Book-Entry-Only

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



[\$00,000,000]*
STATE OF TEXAS
GENERAL OBLIGATION BONDS
WATER FINANCIAL ASSISTANCE BONDS, SERIES 2022E
(ECONOMICALLY DISTRESSED AREAS PROGRAM)

Interest Accrual Date: Date of Delivery (as defined below)**Due: August 1, as shown on page ii herein**

The State of Texas Water Financial Assistance Bonds, Series 2022E (Economically Distressed Areas Program) (the "Bonds"), are general obligations of the State of Texas (the "State") and are issued by the Texas Water Development Board ("TWDB" or the "Board") under the authority of the Texas Constitution (the "Constitution") and general laws of the State. Interest on the Bonds will accrue from the Date of Delivery (as defined below) at the fixed rates of interest shown on page ii, herein and will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Bonds will accrue from the Date of Delivery and will be payable on February 1, 2023, and on each August 1 and February 1 thereafter until maturity or prior redemption. The Bonds will be issued only as fully registered bonds in denominations of \$5,000 principal amount or any integral multiple thereof. The Depository Trust Company, New York, New York ("DTC"), initially will act as securities depository for the Bonds. **Beneficial owners of the Bonds will not receive physical delivery of Bond certificates except as described herein.**

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

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

The Bonds are issued pursuant to a Board resolution adopted on May 11, 2022 (the "Bond Resolution"), in which the Board delegated to certain designated officials the authority to establish and approve the final terms of the sale of the Bonds through the execution of one or more approval certificates (the Bond Resolution and such approval certificates are collectively referred to herein as the "Resolution"). The Bonds are being issued pursuant to the Resolution, and the Constitution and general laws of the State, including particularly Article III, Section 49-d-8 and Section 49-d-14, Texas Constitution, Subchapter L of Chapter 17 of the Texas Water Code, as amended (the "Act"), and Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), for the purposes of conserving and developing the water resources of the State by (i) providing funds for the Economically Distressed Areas Program Account for EDAP Projects, as defined herein, and (ii) providing funds for the payment of expenses arising in connection with the issuance of the Bonds. Capitalized terms not otherwise defined herein have the meanings given to said terms in the Resolution.

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

The Bonds are offered for delivery when, if issued and accepted by the Initial Purchaser of the Bonds, subject to prior sale, withdrawal or modification of the offer without notice and are subject to the approving legal opinion of the Attorney General of the State, and Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel. Certain legal matters will be passed on for the Board by Bracewell LLP, Houston, Texas, Disclosure Counsel. See "LEGAL MATTERS." It is expected that the Bonds will be available for delivery, through the facilities of DTC, on or about [August 16, 2022] (the "Date of Delivery").

BIDS DUE FOR THE BONDS ON THURSDAY, AUGUST 4, 2022, AT [11:45] AM, CDT

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

Maturity Schedule

\$00,000,000*
STATE OF TEXAS
GENERAL OBLIGATION BONDS
Water Financial Assistance Bonds, Series 2022E
(Economically Distressed Areas Program)

CUSIP Prefix: 882724⁽⁴⁾

<u>Stated Maturity (August 1)</u>	⁽¹⁾⁽²⁾⁽³⁾ <u>Principal Amount*</u>	<u>Interest Rate %</u>	<u>Initial Yield %</u>	<u>CUSIP No. Suffix:</u> ⁽⁴⁾
2023	\$ 0			
2024	0			
2025	0			
2026	0			
2027	0			
2028	0			
2029	0			
2030	0			
2031	0			
2032	0			
2033	0			
2034	0			
2035	0			
2036	0			
2037	0			
2038	0			
2039	0			
2040	0			
2041	0			
2042	0			

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(Interest to accrue from the Date of Delivery)

* Preliminary, subject to change.

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

⁽²⁾ *Optional Redemption.* The Bonds having stated maturities on and after August 1, 20__ , are subject to redemption at the option of the Board, in whole or from the time to time in part, on August 1, 20__ or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See "THE BONDS –Redemption Provisions – Optional Redemption."

⁽³⁾ *Mandatory Sinking Fund Redemption.* The Bonds may be subject to mandatory sinking fund redemption in the event the Initial Purchaser elect to aggregate two or more consecutive maturities as a term bond. See "THE BONDS –Redemption Provisions – Mandatory Sinking Fund Redemption."

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

SALE AND DISTRIBUTION OF THE BONDS

For purposes of compliance with United States Securities and Exchange Commission (the "SEC") Rule 15c2-12, (the "Rule"), and in effect on the date of this Preliminary Official Statement, this document constitutes an "Official Statement" of the Board with respect to the Bonds that has been "deemed final" by the Board as of its date except for the omission of no more than the information permitted by the Rule.

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

Use of Official Statement

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

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

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

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

Marketability

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

Securities Laws

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

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

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

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TEXAS WATER DEVELOPMENT BOARD

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

KEY STAFF MEMBERS

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

BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP
Austin, Texas

FINANCIAL ADVISOR

Hilltop Securities Inc.
Dallas, Fort Worth, Houston, New York,
and San Antonio, Texas

DISCLOSURE COUNSEL

Bracewell, LLP
Houston, Texas

PAYING AGENT/REGISTRAR

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

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

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PRELIMINARY OFFICIAL STATEMENT

relating to

\$[00,000,000]*

STATE OF TEXAS GENERAL OBLIGATION BONDS WATER FINANCIAL ASSISTANCE BONDS, SERIES 2022E (ECONOMICALLY DISTRESSED AREAS PROGRAM)

INTRODUCTION

The general obligation bonds of the State of Texas (the "State") offered by the Texas Water Development Board (the "Board" or "TWDB") hereby, acting on behalf of the State, are the State of Texas Water Financial Assistance Bonds, Series 2022E (Economically Distressed Areas Program) (the "Bonds"). The Bonds, together with other general obligation bonds issued or to be issued in the future pursuant to Article III, Sections 49-d-8 ("Section 49-d-8"), 49-d-9 ("Section 49-d-9"), 49-d-10 ("Section 49-d-10"), 49-d-11 ("Section 49-d-11") and 49-d-14 ("Section 49-d-14") of the Texas Constitution (the "Constitution") to augment the funding of the Texas Water Development Fund II, a fund within the State Treasury ("Development Fund II"), are referred to herein collectively sometimes as the "Water Assistance Bonds." The Bonds, together with other Water Assistance Bonds issued or to be issued in the future for the Economically Distressed Areas Program Account of Development Fund II (the "EDAP Account") are referred to sometimes herein as the "EDAP Bonds." Water Assistance Bonds issued or to be issued in the future for the Financial Assistance Account of Development Fund II (the "Financial Assistance Account"), are referred to sometimes herein as the "Financial Assistance Bonds". Water Assistance Bonds issued or to be issued in the future for the State Participation Account of Development Fund II (the "State Participation Account"), are referred to sometimes herein as the "State Participation Bonds". **No Financial Assistance Bonds or State Participation Bonds are being offered pursuant to this Official Statement.** The debt service schedule for the EDAP Bonds that will be outstanding upon the issuance of the Bonds are attached hereto as Appendix D.

The Bonds are being issued pursuant to a resolution adopted by the Board on May 11, 2022 (the "Bond Resolution"), the Constitution and laws of the State, including particularly Article III, Section 49-d-8 and Section 49-d-14 Texas Constitution, Subchapter L of Chapter 17 of the Texas Water Code, as amended (the "Act"), and Chapter 1371, Texas Government Code, as amended ("Chapter 1371"). The Bond Resolution delegates to certain designated officials of the Board authority to solicit bids for the sale of the Bonds, establish certain terms related to the issuance and sale of the Bonds, execute the bid form submitted as the best bid for the purchase of the Bonds, and execute approval certificates (the Bond Resolution and such approval certificates are collectively referred to herein as the "Resolution") establishing the final terms of sale for the Bonds which will complete the sale of the Bonds..

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

COVID-19

The Board cannot quantify the impact that COVID-19 (including existing and new variants of COVID-19) will continue to have on travel, commerce, healthcare providers and financial markets. The State's February 2022 Bond Appendix (defined herein) provides, among other things, details about the impact of COVID-19 on the State, including revenue collections compared with 2020 and measures taken by the State and federal government to limit the impact of COVID-19. The State's COVID-19 Disclosure (defined herein) and any subsequently filed documents regarding COVID-19, if any, may be obtained by accessing EMMA at <https://emma.msrb.org/>, using EMMA Advanced Search function and entering the term "State of Texas Comptroller" in the Issuer Name field within the Security Information search filter. *For more information on the impact of COVID-19 on the State, see "12. Infectious Disease Outbreak COVID-19" of the State's February 2022 Bond Appendix, as supplemented (the "State's COVID-19 Disclosure") and such disclosure is hereby incorporated by reference.*

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

* Preliminary, subject to change.

PLAN OF FINANCE

Background

Section 49-d-8 created the Development Fund II as a separate account within the State Treasury. Section 49-d-9 authorized the Board to issue general obligation bonds in an amount not to exceed \$2 billion to augment Development Fund II. On November 6, 2007, voters approved Proposition 16, which added Section 49-d-10, and authorizes the Board to issue additional general obligation bonds to augment the EDAP Account of Development Fund II in an amount not to exceed \$250 million. On November 8, 2011, voters approved Proposition 2, which added Section 49-d-11, and authorizes the Board to issue additional general obligation bonds for one or more accounts of Development Fund II in amounts such that the aggregate principal amount of bonds issued under Section 49-d-11 that are outstanding at any time does not exceed \$6 billion. On November 5, 2019, voters approved Proposition 2, which added Section 49-d-14, and authorizes the Board to issue additional general obligation bonds for the EDAP Account of Development Fund II in amounts such that the aggregate principal amount of bonds issued under Section 49-d-14 that are outstanding at any time does not exceed \$200 million.

The Bonds are being issued as EDAP Bonds pursuant to the constitutional authority provided by Section 49-d-8 and Section 49-d-14.

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

Use of Bond Proceeds

The Bonds are being issued for the purpose of conserving and developing the water resources of the State by (i) providing funds for the Economically Distressed Areas Program Account for EDAP Projects, and (ii) providing funds for the payment of expenses arising in connection with the issuance of the Bonds. The Bond Resolution authorized the issuance of the Bonds in a maximum aggregate principal amount of \$[_____]. The authority to sell the Bonds under the terms of the Resolution expires on [_____].

Anticipated Issuance of General Obligation Additional Bonds

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

SOURCES AND USES OF FUNDS

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

Sources	
Principal Amount	\$ -
Premium	-
Total	\$ -
Uses	
Deposit to EDAP	\$ -
Costs of Issuance ⁽¹⁾	-
Initial Purchaser's	-
Total	\$ -

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

THE BONDS

General Provisions

The Bonds will be issued only as fully registered bonds, in denominations of \$5,000 principal amount or any integral multiple thereof (an "Authorized Denomination"). Interest on the Bonds will accrue from the Date of Delivery at the respective per annum rates for each maturity of Bonds as shown on page ii hereof and will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Bonds will be payable on February 1, 2023, and on each August 1 and February 1 thereafter until maturity or prior redemption. The Bonds mature on August 1 in the years and in the principal amounts set forth on page ii hereof.

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

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

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

Redemption Provisions

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

Optional Redemption. The Bonds having stated maturities on and after August 1, 20__, are subject to redemption at the option of the Board, in whole or from time to time in part, on August 1, 20__, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption. The Bonds may be subject to mandatory sinking fund redemption in the event the Initial Purchaser elects to aggregate two or more consecutive maturities as a term bond.

Extraordinary Mandatory Redemption

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

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

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

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

* Includes amount for refunding purposes

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

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

Extraordinary Mandatory Redemption Price (%)

CUSIP Prefix: 882724⁽¹⁾

Maturity (August 1)

On _____, 20__

On _____, 20__

CUSIP Suffix

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

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

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

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

Selection of Bonds to be Redeemed

If fewer than all of the Bonds that are subject to redemption are called for redemption, the maturities (or mandatory sinking fund redemption amounts within a maturity) to be redeemed will be selected by the Board, and such Bonds to be redeemed within any one maturity will be selected by the Paying Agent/Registrar by lot (or in such other random selection manner as the Paying Agent/Registrar may determine) in integral multiples of \$5,000; provided, however, that during any period in which ownership of such Bonds to be redeemed is determined only by a book-entry-only system at DTC, or a successor securities depository, if fewer than all of such Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate will be selected in accordance with the arrangement between the Board and DTC or successor securities depository; provided, further, however, that such selection methodology shall not apply to the Bonds that are redeemed pursuant to application of extraordinary mandatory redemption provisions, in which case selection of redeemed Bonds shall occur in the manner described above under "Extraordinary Mandatory Redemption".

Notice of Redemption

At least 30 days prior to the date fixed for any redemption, a written notice of such redemption will be given to the registered owner of each Bond, or portion thereof, that is being called for redemption by depositing such notice in the United States mail, first-class-postage prepaid, addressed to each such registered owner at such owner's address shown on the registration books of the Paying Agent/Registrar. The failure to send, mail, or receive such notice described above, or any defect therein or in the sending or mailing thereof, will not affect the validity or effectiveness of the proceedings for the redemption of any Bond. By the date fixed for any such redemption, due provision will be made by the Board with the Paying Agent/Registrar for the payment of the required redemption price for Bonds or the portion thereof which are to be so redeemed, plus accrued interest thereon to the date fixed for redemption.

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

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

Paying Agent/Registrar

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

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General Obligation Pledge

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

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

Perfection of Security

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

Other Sources of Payment

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

Accordingly, (i) the Financial Assistance Account and the Financial Assistance Bond Payment Account constitute sources of payment only for the Financial Assistance Bonds, (ii) the EDAP Account and the EDAP Bond Payment Account constitute a source of payment only for the EDAP Bonds, including the Bonds, and (iii) the State Participation Account and the State Participation Bond Payment Account constitute sources of payment only for the State Participation Bonds, as described in this Official Statement.

Enforcement of Payment

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

Defeasance

The Resolutions provide that any Bond issued thereunder will be deemed paid and no longer Outstanding (a "Defeased Bond") when payment of the principal of and premium, if any, on such Bond, plus interest thereon to the due date thereof (by maturity or otherwise), shall have been provided by the Board irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other similar instrument for such payment (a) lawful money of the United States of America sufficient to make such payment or (b) Defeasance Securities (as defined below) that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Board with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. As used above and unless otherwise specified in the Approval Certificate, "Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board adopts or approves proceedings authorizing the issuance of refunding bonds or, if such defeasance is not in connection with the issuance of refunding bonds, on the date the Board provides for the funding of an escrow to effect the defeasance of the applicable Bonds, are rated as to investment quality by a nationally-recognized investment rating firm not less than "AAA" or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board adopts or approves proceedings authorizing the issuance of refunding bonds or, if such defeasance is not in connection with the issuance of refunding bonds, on the date the Board provides for the funding of an escrow to effect the defeasance of the applicable Bonds, are rated as to investment quality by a nationally-recognized investment rating firm not less than "AAA" or its equivalent, and (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under the then applicable laws of the State.

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

Amendment of Resolution With Consent of Registered Owners

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

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

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

Amendment of Resolution Without Consent of Registered Owners

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

- (i) impose conditions or restrictions additional to, but not in diminution of, those contained in the Bond Resolution respecting the issuance of the Bonds;

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

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

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

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

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

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

WATER ASSISTANCE BOND PROGRAM

Development Fund I

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

Development Fund II

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

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

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

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

Major Accounts within Development Fund II

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

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

Participation Bond Payment Account constitute sources of payment only for State Participation Bonds and (iii) the EDAP Account and the EDAP Bond Payment Account constitute sources of payment only for the EDAP Bonds.

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

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

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

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

Financial Assistance Bonds

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

The foregoing notwithstanding, the Board has issued Financial Assistance Bonds to augment the Water Infrastructure Fund. The Board currently anticipates that the Legislature will continue to appropriate general revenues of the State to support the payment of debt service on Water Infrastructure Bonds and EDAP Bonds (including the Bonds) until such time that program assets and revenues are sufficient to meet debt service requirements. See "WATER ASSISTANCE BOND PROGRAM – EDAP Bonds" and – "Water Infrastructure Fund."

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

- (i) Money and Assets Attributable to Bonds (as defined in the applicable resolution for such Financial Assistance Bonds) designated by the Board as issued for Water Assistance Projects;
- (ii) payments received under a Bond Enhancement Agreement with respect to Financial Assistance Bonds designated by the Board as issued for Water Assistance Projects;
- (iii) investment income earned on money on deposit in the Financial Assistance Account; and
- (iv) any other funds, regardless of their source, that the Board directs to be deposited to the credit of the Financial Assistance Account.

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

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

principal or interest on such Financial Assistance Bonds, when such interest or interest and principal, and premium, if any, or such payments, if any, become due and payable, with allowance being made for money currently on deposit in the Financial Assistance Bond Payment Account and available to make such payments.

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

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

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

EDAP Bonds

The Bonds being offered pursuant to this Official Statement are EDAP Bonds.

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

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

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

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

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

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

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

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

State Participation Bonds

No State Participation Bonds are being offered pursuant to this Official Statement.

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

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

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

State Participation Bond Payment Account. The Board has established the State Participation Bond Payment Account as a special account into which amounts will be deposited as more fully described below, from the State Participation Account, or

otherwise from the State Treasury, and used to pay the principal of, premium, if any, and interest payable on the State Participation Bonds, including, to the extent determined by the Board, amounts sufficient to make payments, if any, required under one or more Bond Enhancement Agreements with respect to principal or interest on such State Participation Bonds.

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

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

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

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

Water Infrastructure Fund

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

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

TABLE 1: WATER ASSISTANCE BONDS*
As of June 1, 2022

Constitutional Provision ^{(1),(2)}	Purpose	Constitutionally Authorized Amount	Authorization Used ⁽³⁾	Authorization Currently Being Issued	Authorization Remaining ⁽⁴⁾
Section 49-d-11 ⁽⁵⁾	Development Fund II	\$ 6,000,000,000	\$ 188,889,749	\$ -	\$ 5,811,110,251
Section 49-d-14 ⁽⁶⁾	EDAP	200,000,000	-	50,000,000	150,000,000
Total			<u>\$ 188,889,749</u>	<u>\$ 50,000,000</u>	<u>\$ 5,961,110,251</u>

* Preliminary, subject to change.

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

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

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

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

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

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

OTHER FINANCIAL ASSISTANCE PROGRAMS OF THE BOARD

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

Texas Agricultural Water Conservation Bond Program

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

Money in the Agriculture Fund may be used to provide grants to State agencies to fund conservation programs or conservation projects, provide grants or loans to certain political subdivisions for conservation programs or conservation projects, provide linked deposits to certain financial institutions for loans to certain entities and individuals for conservation projects, pay for the Board's conservation programs, pay costs of issuance for and debt service due on Texas Agricultural Water Conservation Bonds, and to pay the Board's related administrative expenses. Conservation programs, certain costs of which may be financed from the Agriculture Fund, include: (1) agricultural water conservation technical assistance programs; (2) research, demonstration, technology transfer, or educational programs relating to agricultural water use and conservation; (3) precipitation enhancement programs; and (4) any other agricultural water conservation program defined by Board rule. Conservation projects, certain costs of which may be financed from the Agriculture Fund, include projects that: (1) improve water use efficiency; (2) prepare irrigated land for conversion to dry land conditions; (3) prepare dry land for more efficient use of precipitation; (4) purchase and fund the acquisition and installation of devices on public or private property to indicate the amount of water withdrawn for irrigation; (5) prepare and maintain land to be used for brush control activities; and (6) implement any other agricultural water conservation project defined by Board rule.

**TABLE 2: AGRICULTURE FUND GENERAL OBLIGATION BONDS
As of June 1, 2022**

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

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

Flood Infrastructure Fund

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

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

Revenue Bonds

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

State Water Pollution Control Revolving Fund

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

Pursuant to Chapter 15, Subchapter J of the Texas Water Code ("Subchapter J"), which became effective June 17, 1987, the State created the CWSRF for the purpose of providing financial assistance to Eligible Borrowers for authorized activities and

uses. The Board currently provides financial assistance by purchasing political subdivision obligations from Eligible Borrowers, or by providing loans or principal forgiveness.

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

State Safe Drinking Water Revolving Fund

The Federal Safe Drinking Water Act ("SDWA") established national primary drinking water regulations to protect the safety of the public's drinking water. Under the SDWA, the USEPA is authorized to make grants ("DWSRF Capitalization Grants") to states to assist communities in meeting established drinking water standards. As a condition to receipt of a DWSRF Capitalization Grant, a state is required to establish a drinking water state revolving fund into which the DWSRF Capitalization Grant must be deposited, provide state matching funds at least equal to 20% of the DWSRF Capitalization Grant for deposit in the DWSRF and comply with certain other requirements of the SDWA. Historically, proceeds of Water Development Bonds and Financial Assistance Bonds have been used to provide all or a portion of such matching funds. The Board does not expect to issue general obligation bonds to provide matching funds in the future. Pursuant to Subchapter J, Texas created the DWSRF for the purpose of providing financial assistance to political subdivisions and water supply corporations. The Legislature expanded the program to allow funding for privately owned corporations for loan subsidies, provided that only appropriated funds and federal grants are utilized for such purpose.

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

State Water Implementation Fund for Texas Program

Pursuant to Subchapter C of Chapter 16 of the Texas Water Code, the Board has been responsible for preparing, developing, formulating, and adopting a comprehensive state water plan (the "State Water Plan") before the end of each successive five-year period beginning in 2002. For purposes of developing the State Water Plan, the State is divided into 16 regional water planning areas. Each regional water planning group for each regional water planning area must prepare a regional water plan and submit the plan to the Board for approval. Upon adoption of the State Water Plan, the Board is required to deliver the State Water Plan to the Governor, the Lieutenant Governor and the Speaker of the Texas House of Representatives and present the adopted State Water Plan for review to the appropriate legislative committees in the Legislature. The 2022 State Water Plan was adopted by the Board on July 7, 2021. The 2022 State Water Plan is available on the website of the Board, at <http://www.twdb.texas.gov/waterplanning/swp/2022/index.asp>

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

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

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

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

In accordance with State law, \$2 billion from the State's economic stabilization fund was appropriated and transferred to SWIFT. As of December 31, 2021, \$805,821,020 has been transferred from SWIFT to provide a source of revenue or security for SWIRFT revenue bonds issued by the Board, as further described below. SWIFT is administered by the Texas Treasury Safekeeping Trust Company ("TTSTC"). According to information available from TTSTC, as of December 31, 2021 SWIFT has a balance of approximately \$1.8 billion. Information relating to the administration of SWIFT by the TTSTC can be found at its website, TTSTC.org.

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

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

As of December 31, 2021, the Board has issued twelve series of SWIRFT revenue bonds, aggregating \$6,573,120,000 in principal amount outstanding. The following entities are Significant Borrowers under the SWIRFT revenue bond indentures: Tarrant Regional Water District; Lone Star Regional Water Authority; Palo Pinto County Municipal Water District No. 1; Coastal Water Authority, North Harris County Regional Water Authority; Sabine River Authority of Texas; North Fort Bend Water Authority; Upper Trinity Regional Water District; and the North Texas Municipal Water District.

Rural Water Assistance Fund

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

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

Texas Water Resources Finance Authority

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

TEXAS WATER DEVELOPMENT BOARD

General

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

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

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

State Water Plan

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

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

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

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

Board Members

The members of the Board currently are:

Brooke T. Paup, Chairwoman. Appointed to the Board by Governor Greg Abbott, effective February 22, 2018. Reappointed to a new term by Governor Greg Abbott on February 6, 2019 and designated as Chairwoman on April 22, 2021. Ms. Paup most recently served as the Director of Legislative Affairs for the Texas Comptroller of Public Accounts and is formerly the Deputy Division Chief of Intergovernmental Relations for the Office of the Attorney General. While with the Office of the Attorney General, Ms. Paup was a Special Assistant for Policy and Research on public finance and legislative and special litigation issues, including SWIFT and SWIRFT. Ms. Paup is a member of the Texas State Bar and holds a Juris Doctor from Texas Tech University School of Law and is an alumna of Texas A&M University with a Bachelor of Arts degree. Ms. Paup has been appointed for a term set to expire February 1, 2025.

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

There currently exists one vacancy on the Board.

Key Staff Members

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

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

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

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

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

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

Limitation of Liability of Officials of the Board

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

Bond Review Board Approval

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

On _____, 2022, the Bond Review Board approved the Bonds.

Cybersecurity

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

Sunset Review of the Board

The Board is subject to review, but not abolishment, under the Texas Sunset Act, Chapter 325, Texas Government Code (the "Sunset Act"), by the Sunset Advisory Commission (the "Commission"). The Board was most recently reviewed in 2011 and is subject to review every 12th year with the next review of the Commission expected to be completed in 2023. Pursuant to the Sunset Act, the Commission has initiated a process to conduct its review and provide any recommendations to the Legislature for consideration during the 2023 legislative session. The Legislature, however, is not prohibited from considering legislation addressing the programs performed by the Board prior to such date. Pursuant to the Sunset Act, the Commission is required to make recommendations to the Legislature regarding the reorganization, consolidation or transfer of programs administered by the Board. In March 2022, the Sunset Commission completed its Staff Report. The Staff Report is subject to final review and/or changes during the 2023 Texas Legislative session. The Staff Report includes certain recommendations relating to the administration and management of projects; however, none of the recommendations are expected to have a focal impact on the Board or the State. As of the date hereof, the Staff Report may be accessed on the Texas Sunset Advisory Commission's website at: <https://www.sunset.texas.gov/reviews-and-reports/agencies/texas-water-development-board>. The Sunset Act prohibits the Legislature from enacting legislation that would in any way affect the Board's stet obligations, including those contractual obligations to the Holder of the Bonds pursuant to the Resolutions.

GENERAL INFORMATION REGARDING THE STATE

Available Information

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

Constitutional Limitation on Debt

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

LEGAL MATTERS

Legal Opinions

The Board will furnish to the Initial Purchasers a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the legal opinion of the Attorney General of the State to the effect that the Bonds are valid and legally binding obligations of the Board and, based upon examination of such transcript of proceedings, the legal opinion to like effect of Orrick, Herrington and Sutcliffe LLP, Austin, Texas, Bond Counsel. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Resolution. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein. In connection with the transactions described herein, Bond Counsel represents only the Board. The legal opinion of Bond Counsel set forth in **APPENDIX C** to this Official Statement will accompany the Bonds deposited with DTC. Certain legal matters will be passed upon for the Board by Bracewell LLP, Disclosure Counsel for the Board.

Orrick, Herrington and Sutcliffe LLP and Bracewell LLP represent the Initial Purchasers and the Financial Advisor from time to time on matters not related to the Bonds.

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

No-Litigation Certificate

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

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

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

Eligibility for Investment in Texas

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

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

Registration and Qualification of Bonds for Sale

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

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

TAX MATTERS

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

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

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

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

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

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

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

Continuing Disclosure Undertaking of the Board

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

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

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

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

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

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

Continuing Disclosure Undertaking of the Comptroller

General. The Comptroller has entered into an Amended and Restated Continuing Disclosure Agreement with the Bond Review Board dated March 12, 2019. The Board and the legal and beneficial owners of the Bonds are third-party beneficiaries of the Comptroller's agreement. The Comptroller is required to observe this agreement in respect of any issue of Securities, as defined in the agreement (which include the Bonds), for so long as the State remains an "obligated person," as defined in the

Rule. Under the agreement, the Comptroller will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB as described below.

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

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

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

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

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

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

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

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

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

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

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

OTHER INFORMATION

Ratings

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

Initial Purchaser for the Bonds

After requesting competitive bids for the Bonds, the Board accepted the bid of _____ (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on page ii of the Official Statement at a price of par plus a cash premium of \$ _____. The initial reoffering yields shown on page ii were provided to the Board by the Initial Purchaser and will produce compensation to the Initial Purchaser of approximately \$ _____. The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the Board to the Initial Purchaser. The Board has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser.

Unaudited Financial Information

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

Forward-Looking Statements

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

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

Certification of Official Statement

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

At the time of payment for the delivery of the Bonds, the Board will furnish a certificate, executed by a proper officer of the Board, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions of the Board, the Bonds and the Resolution contained in the Official Statement and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of the Bonds to the Initial Purchaser and on the date of delivery, were and are true and correct in all material respects; (b) insofar as the Board and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions, statements and activities, including financial data, of or pertaining to entities other than the Board contained in such Official Statement are concerned, such statements and data have been obtained from sources that the Board believes to be reliable and the Board has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the Board since the date of the Official Statement.

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

Financial Advisor

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

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

Website References

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

Approval of Official Statement

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

TEXAS WATER DEVELOPMENT BOARD

/s/ _____
Executive Administrator
Texas Water Development Board

APPENDIX A
THE STATE OF TEXAS

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

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

- State of Texas Annual Comprehensive Financial Report for the fiscal year ended August 31, 2021
- Bond Appendix: The State of Texas (February 2022)
- Each notice, if any, filed with the MSRB by the Comptroller since the end of the fiscal year of the State addressed in the foregoing Comprehensive Annual Financial Report.

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

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

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APPENDIX B
SELECTED FINANCIAL DATA (UNAUDITED)

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Balance Sheet / Statement of Net Position - EDAP
UNAUDITED¹

	2017	2018	2019	2020	2021
ASSETS					
Current Assets:					
Cash and Cash Equivalents:					
Cash in State Treasury	\$ 1,853,410	\$ 2,237,468	\$ 925,410	\$ 878,344	\$ 813,343
Receivables From:					
Interest and Dividends	170,640	153,210	149,133	143,117	129,513
Loans and Contracts	1,816,314	1,832,701	1,917,836	1,915,566	1,918,584
Total Current Assets	3,840,364	4,223,379	2,992,379	2,937,028	2,861,439
Non-Current Assets:					
Loans & Contracts	23,596,925	21,348,838	22,951,002	20,538,436	18,619,852
Total Noncurrent Assets	23,596,925	21,348,838	22,951,002	20,538,436	18,619,852
Total Assets	\$ 27,437,289	\$ 25,572,217	\$ 25,943,381	\$ 23,475,464	\$ 21,481,291
LIABILITIES AND FUND BALANCES					
Liabilities:					
Current Liabilities:					
Payables From:					
Accounts Payable	\$ -	\$ -	\$ 5,504	\$ -	\$ -
Interest Payable	754,898	672,578	769,599	695,514	623,478
General Obligation Bonds Payable	22,873,140	22,874,134	23,229,761	22,144,761	22,124,761
Total Current Liabilities	23,628,038	23,546,712	24,004,864	22,840,275	22,748,239
Non-Current Liabilities:					
General Obligation Bonds Payable	213,764,093	190,889,959	218,450,843	196,306,082	174,181,321
Total Non-Current Liabilities	213,764,093	190,889,959	218,450,843	196,306,082	174,181,321
Total Liabilities	\$ 237,392,131	\$ 214,436,671	\$ 242,455,707	\$ 219,146,357	\$ 196,929,560
FUND FINANCIAL STATEMENT - FUND BALANCES					
Fund Balances (Deficits):					
Restricted	27,437,289	25,572,217	25,937,877	23,475,464	21,481,291
Government-Wide Statement of Net Position					
Net Position:					
Restricted for:					
Debt Retirement	(237,392,131)	(214,436,671)	(242,450,203)	(219,146,357)	(196,929,560)
Total Net Position²	\$ (209,954,841)	\$ (188,864,454)	\$ (216,512,326)	\$ (195,670,893)	\$ (175,448,269)

Numbers may not add due to rounding

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

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

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

	2017	2018	2019	2020	2021
REVENUES					
Interest and Other Investment Income	\$ 766,675	\$ 724,763	\$ 938,177	\$ 690,873	\$ 594,889
Total Revenues	766,675	724,763	938,177	690,873	594,889
EXPENDITURES					
Professional Fees and Services	121,997	10,747	490,068	14,568	9,000
Travel	434	-	269	-	-
Printing and Reproduction	617	-	2,850	-	-
Intergovernmental Payments	-	(6,000)	33,257,116	(40)	-
Public Assistance Payments	-	-	17,795,000	-	-
Other Expenditures	9,500	-	-	-	-
Debt service:					
Interest	7,900,722	6,916,972	7,062,217	7,050,343	6,163,370
Total Expenditures	8,033,270	6,921,718	58,607,520	7,064,872	6,172,370
Excess (Deficiency) of Revenues Over Expenditures	(7,266,596)	(6,196,955)	(57,669,343)	(6,373,998)	(5,577,481)
OTHER FINANCING SOURCES (USES)					
Transfers In	30,674,769	29,886,794	33,277,979	30,319,489	28,369,526
Transfers Out	(2,493,687)	(2,599,451)	(3,256,508)	(3,104,058)	(2,569,421)
Total Other Financing Sources (Uses)	28,181,082	27,287,343	30,021,471	27,215,431	25,800,105
Net Change in Fund Balances/Net Position	20,914,486	21,090,388	(27,647,872)	20,841,433	20,222,624
STATEMENT OF NET POSITION					
Net Position - September 1	(230,869,328)	(209,954,842)	(188,864,454)	(216,512,326)	(195,670,893)
Net Position - August 31	\$ (209,954,842)	\$ (188,864,454)	\$ (216,512,326)	\$ (195,670,893)	\$ (175,448,269)

Numbers may not add due to rounding

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

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

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

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APPENDIX D
SCHEDULE OF DEBT SERVICE REQUIREMENTS

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SCHEDULE OF DEBT SERVICE REQUIREMENTS*

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State of Texas

Water Financial Assistance

Bonds, Series 2022E

(Economically Distressed Areas Program)

Year	Total Existing Debt Service	EDAP Bonds Debt Service			Projected Total Debt Service
		Principal	Interest	Total	
2022	\$ 27,495,734	\$ -	\$ -	\$ -	\$ 27,495,734
2023	25,603,371	-	-	-	25,603,371
2024	24,282,068	-	-	-	24,282,068
2025	20,367,928	-	-	-	20,367,928
2026	17,366,959	-	-	-	17,366,959
2027	14,858,471	-	-	-	14,858,471
2028	14,424,890	-	-	-	14,424,890
2029	13,965,890	-	-	-	13,965,890
2030	12,371,590	-	-	-	12,371,590
2031	11,921,340	-	-	-	11,921,340
2032	10,787,740	-	-	-	10,787,740
2033	7,729,425	-	-	-	7,729,425
2034	7,483,775	-	-	-	7,483,775
2035	7,235,144	-	-	-	7,235,144
2036	2,758,631	-	-	-	2,758,631
2037	2,677,219	-	-	-	2,677,219
2038	2,595,675	-	-	-	2,595,675
2039	-	-	-	-	-
2040	-	-	-	-	-
2041	-	-	-	-	-
2042	-	-	-	-	-
	<u>\$ 223,925,850</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 223,925,850</u>

* Preliminary, subject to change

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APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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**NOTICE OF SALE
AND
BIDDING INSTRUCTIONS**

ON

**STATE OF TEXAS
GENERAL OBLIGATION BONDS**

**[\$[00,000,000]]*
WATER FINANCIAL ASSISTANCE BONDS, SERIES 2022E
(ECONOMICALLY DISTRESSED AREAS PROGRAM)**

Sealed Bids Due Thursday, August 4, 2022, at [11:45] AM, CDT

THE SALE

BONDS OFFERED FOR SALE AT COMPETITIVE BIDDING . . . The Texas Water Development Board (the "Board"), acting on behalf of the State of Texas (the "State"), is offering for sale its \$[00,000,000]* Water Financial Assistance Bonds, Series 2022E (Economically Distressed Areas Program) (the "Bonds"). Bidders may submit bids for the Bonds by any of the following methods:

- (1) Deliver bids directly to the Board as described below in "Bonds Bids Delivered to the Board;"
- (2) Submit bids electronically as described below in "Electronic Bidding Procedures;" or

BONDS BIDS DELIVERED TO BOARD . . . Sealed bids, plainly marked "Bid for Bonds," should be addressed and delivered to the Board at 1700 North Congress Avenue, Austin, Texas 78701 (the "Board's Meeting Place"), prior to [11:45] AM, CDT, on Thursday, August 4, 2022. All bids must be submitted on the Official Bid Form for the Bonds without alteration or interlineation.

ELECTRONIC BIDDING PROCEDURES . . . Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. Subscription to PARITY, i-Deal's BIDCOMP Competitive Bidding Systems, is required in order to submit an electronic bid. The Board will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. Bidders submitting an electronic bid shall not be required to submit Official Bid Forms prior to bidding.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in this Notice of Sale and Bidding Instructions and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Board. The Board shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of the Notice of Sale and Bidding Instructions shall conflict with information provided by PARITY, as the approved provider of electronic bidding services, this Notice of Sale and Bidding Instructions shall control. Further information about PARITY, including any fee charged, may be obtained from Parity Customer Support, 40 West 23rd Street, 5th Floor, New York, New York 10010, (212) 404-8102.

For purposes of the bidding process, regardless of the bidding method, the time as maintained by i-Deal shall constitute the official time. **For information purposes only, bidders are requested to state in their electronic bids the true interest cost to the Board, as described under "CONDITIONS OF THE SALE - Basis for Award" below. All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale and Bidding Instructions and the Official Bid Form. The winning bidder shall submit a signed bid form if not previously submitted.**

PLACE AND TIME OF BID OPENING FOR THE BONDS . . . The Board will accept bids for the sale of the Bonds until Thursday, August 4, 2022 at [11:45] AM, CDT. Hilltop Securities Inc. ("Hilltop Securities"), acting on behalf of the Board, shall accept bids up to such time. At such time, Hilltop Securities shall open the bids and notify the Board as to the bidding results.

AWARD OF THE BONDS . . . The Bonds are issued pursuant to Board resolution adopted on May 11, 2022 (the "Bond Resolution"), in which the Board delegated to certain designated officials the authority to solicit bids for the sale of the Bonds, to establish certain terms related to the issuance and sale of the Bonds, to execute the bid form submitted as the best bid for the purchase of the Bonds and to execute one or more approval certificates establishing the final terms of sale for the Bonds and completing the sale of the Bonds (the Bond Resolution, together with one or more approval certificates, is referred to here as the "Resolution"). **The Board, in its sole discretion, reserves the right to reject any and all bids and to waive any and all irregularities, except time of filing.**

* Preliminary, subject to change. See "THE SALE - Advance Modification of Principal Amounts" and " - Post Bid Modification of Principal Amounts" describing the Board's right to modify the principal amounts of each maturity of the Bonds

EXTENSION OF SALE DATE . . . The Board reserves the right to extend the date(s) and/or time(s) for the receipt of bids for the Bonds by giving notice of the new date(s) and/or time(s) of receipt of bids by Bond Buyer Wire Service, not later than 3:00 PM, CDT on the business day immediately preceding the date selected by the Board for the receipt on the Bonds as described in "Place and Time of Bid Opening" above. Any such notice shall be considered an amendment to this Official Notice of Sale.

ADVANCE MODIFICATION OF PRINCIPAL AMOUNTS . . . The Board reserves the right to change the principal amounts in each maturity by giving notice of such change, via bond buyer wire service, and PARITY no later than 2:00 p.m., Wednesday, August 3, 2022. Such notice shall be considered an amendment to this Notice of Sale and Bidding Instructions.

POST BID MODIFICATION OF PRINCIPAL AMOUNTS . . . After the receipt of bids, but prior to the award of the Bonds, the Board, reserves the right to amend the total par amount of the Bonds by up to 15%. Such modifications of principal amounts will be disclosed to the winning bidder within two hours of the time set for receipt of the bids and will be made with consideration to preserving the winning bidders underwriting production per bond.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds will be dated as of the date of their initial delivery (the "Date of Delivery"). Interest will accrue from the Date of Delivery and will be due on February 1, 2023, and each August 1 and February 1 thereafter until the earlier of maturity or prior redemption. The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity. The Bonds will mature on August 1 in each year as follows:

MATURITY SCHEDULE*

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2023	\$ 0	2030	\$ 0	2036	\$ 0
2024	0	2031	0	2037	0
2025	0	2032	0	2038	0
2026	0	2033	0	2039	0
2027	0	2034	0	2040	0
2028	0	2035	0	2041	0
2029	0			2042	0

OPTIONAL REDEMPTION OF THE BONDS . . . The Board reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, ____, in whole or in part in principal amounts of \$1,000 or any integral multiple thereof, on August 1, ____, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

EXTRAORDINARY MANDATORY REDEMPTION OF THE BONDS . . . The Bonds are subject to extraordinary mandatory redemption prior to maturity as further described in the Preliminary Official Statement under the sub-caption "THE BONDS – Redemption Provisions – Extraordinary Mandatory Redemption of the Bonds."

SERIAL BONDS AND/OR TERM BONDS . . . Bidders may provide that all of the Bonds be issued as serial Bonds maturing in accord with the Maturity Schedule* shown on the Official Bid Form ("Serial Bonds") or may provide that any two or more consecutive annual principal amounts be combined into one or more term Bonds ("Term Bonds").

MANDATORY SINKING FUND . . . If the successful bidder elects to alter the Maturity Schedule* above and convert principal amounts of the Serial Bonds into Term Bonds, such Term Bonds shall be subject to mandatory redemption on the first August 1 next following the last maturity for Serial Bonds, and annually thereafter on each August 1 until the stated maturity for the Term Bonds at the redemption price of par plus accrued interest to the date of redemption. The principal amount of the Term Bonds to be redeemed on each mandatory redemption date shall be the principal amount that would have been due and payable in the Maturity Schedule* shown above had no conversion to Term Bonds occurred. At least thirty (30) days prior to each mandatory redemption date, the Paying Agent/Registrar shall select by lot the Term Bonds to be redeemed and cause a notice of redemption to be given in the manner provided in the Preliminary Official Statement.

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the Board, by the principal amount of the Term Bonds of the same maturity which at least 50 days prior to the mandatory sinking fund redemption date (1) shall have been defeased or acquired by the Board and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Board with money in the Bond Fund (as defined in the Resolution), or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory sinking fund redemption requirement.

* Preliminary, subject to change. See "THE SALE - Advance Modification of Principal Amounts" and "Post Bid Modification of Principal Amounts" describing the Board's right to modify the principal amount of each maturity.

A final Official Statement will incorporate the mandatory sinking fund redemption provisions for the Bonds in the event the successful bidder elects to convert serial maturities into one or more Term Bonds.

BOOK-ENTRY-ONLY SYSTEM . . . The Board intends to utilize the Book-Entry-Only System of The Depository Trust Company ("DTC"). See "APPENDIX E - Book-Entry-Only System" in the Preliminary Official Statement.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar shall be The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, a banking corporation duly organized and existing under the laws of the United States of America and authorized to do business in the State of Texas, Texas (see "THE BONDS - Paying Agent/Registrar" in the Preliminary Official Statement).

SOURCE OF PAYMENT . . . The Bonds are general obligations of the State and are secured by the full faith and credit of the State.

Further details regarding the Bonds are set forth under "THE BONDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" in the Preliminary Official Statement.

CONDITIONS OF THE SALE

TYPE OF BIDS AND INTEREST RATES FOR THE BONDS . . . The Bonds will be sold in one block on an "All or None" basis, and at a price of not less than _____ and not more than _____ of par value plus accrued interest. Bidders are invited to name the rate(s) of interest to be borne by the Bonds, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/100 of 1% and the net effective interest rate must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than ____% in rate. The high bidder will be required to submit reoffering yields and dollar prices prior to award. The Underwriter's Discount may not exceed \$____ per \$_____ in principal amount of Bonds.** No limitation is imposed upon bidders as to the number of rates or changes which may be used. All Bonds of one maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered. Each bidder shall state in the bid the total interest cost in dollars and the effective interest rate determined thereby (calculated in the manner prescribed by Chapter 1204, Texas Government Code), which shall be considered informative only and not as a part of the bid.

BASIS FOR AWARD . . . The sale of the Bonds will be awarded to the bidder (the "Initial Purchaser") making a bid that conforms to the specifications herein and which produces the lowest True Interest Cost rate to the Board for such Bonds. The True Interest Cost rate is that rate which, when used to compute the total present value as of the Date of Delivery of all debt service payments on such Bonds on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of such Bonds plus any premium bid, if any. In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium, if any, set forth in the respective Official Bid Form will be considered as the official bid.

GOOD FAITH DEPOSIT FOR THE BONDS . . . Each bidder must provide a good faith deposit for the Bonds bid in the form of a bank cashier's check or a bank certified check payable to the order of "The Texas Water Development Board" (the "Good Faith Deposit"). The Good Faith Deposit for the Bonds shall be in the amount of \$[XXXXXXXX]*. The Good Faith Deposit shall be submitted to Hilltop Securities Inc. ("Hilltop Securities"), prior to the time for submission of bids on the Bonds, at the following address:

Hilltop Securities Inc.
717 North Harwood Street
Suite 3400
Dallas, Texas 75201
Attention: Debbie Swafford

The Good Faith Deposit check should be in an envelope clearly marked "Good Faith Deposit for The Texas Water Development Board Bond Sale." Additionally, such check shall be accompanied by instructions from the issuing bank authorizing its use as a Good Faith Deposit by the bidder, who shall be named in such instructions.

The Good Faith Deposit of each bidder will be retained by Hilltop Securities on behalf of the Board pending such bidder's compliance with the terms of this Notice of Sale and Bidding Instructions. Upon payment of 100% of the aggregate par amount of the Bonds plus any cash premium (the "Full Purchase Price"), the Good Faith Deposit will be returned uncashed, without endorsement or alteration, to the Initial Purchaser. No interest will be paid on the Good Faith Deposit. If a bidder fails or refuses to pay the Full Purchase Price, then such Good Faith Deposit shall be retained by the Board as full and complete liquidated damages. Good Faith Deposits accompanying bids other than the Initial Purchaser's bid will be returned promptly following the award of the Bonds to the Initial Purchaser.

ADDITIONAL CONDITIONS OF AWARD

TEXAS ETHICS COMMISSION DISCLOSURE OF INTERESTED PARTIES FORM 1295 . . . In accordance with Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the Board may not award Bonds to a bidder unless each such winning bidder either:

(i) **submits a Certificate of Interested Parties Form 1295 (the "TEC Form 1295") to the Board as prescribed by the Texas Ethics Commission ("TEC"), or**

(ii) **certifies in the Official Bid Form that it is exempt from filing the TEC Form 1295 by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.**

In the event that the bidder's bid for the Bonds of a series is the best bid received, the Board, acting through Hilltop Securities, will promptly notify the winning bidder. That notification will serve as the Board's conditional verbal acceptance of the bid for such series, and, unless the bidder is exempt from filing a TEC Form 1295, such notification will obligate the winning bidder to promptly file a completed TEC Form 1295, as described below, in order to allow the Board to complete the award. The Board reserves the right to reject any bid that does not comply with the requirements prescribed herein.

For purposes of completing the TEC Form 1295, box 2 is name of the governmental entity (*Texas Water Development Board*) and box 3 is the identification number assigned to this contract by the Board (*THECB CSLB2021*) and description of the goods or services (*Purchase of Bonds*). **The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require certain business entities contracting with the Board to complete the TEC Form 1295 electronically at <https://www.ethics.state.tx.us/main/file.htm>, print, complete the unsworn declaration, sign, and deliver, in physical form, the certified TEC Form 1295 that is generated by the TEC's "electronic portal" to the Board. The completed and signed TEC Form 1295 must be sent by email, to the Board at georgia.sanchez@twdb.texas.gov and the Board's Bond Counsel at jkyle@orrick.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award.** Upon receipt of the final written award, each winning bidder must submit the TEC Form 1295 with original signatures by email to the Board at georgia.sanchez@twdb.texas.gov and the Board's Bond Counsel at jkyle@orrick.com.

To the extent that the bidder is not exempt from filing a TEC Form 1295 and therefor makes such filing with the Board, the Interested Party Disclosure Act and the TEC 1295 provide that such declaration is made "under oath and under penalty of perjury." Consequently, a bidder should take appropriate steps prior to completion of the TEC Form 1295 to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the TEC Form 1295. **Time will be of the essence in submitting the form to the Board, and no final award will be made by the Board regarding the sale of until a completed TEC Form 1295 is received. The Board reserves the right to reject any bid that does not satisfy the requirement of a completed TEC Form 1295, as described herein.** Neither the Board nor its consultants have the ability to verify the information included in a TEC Form 1295, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to the proper completion of the TEC Form 1295. Consequently, an entity intending to bid on a series of the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the Board that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

NO BOYCOTT OF ISRAEL . . . By submission of a bid for the Bonds, the bidder represents and verifies that to the extent a bid for the Bonds represents a contract for goods or services within the meaning of Section 2271.002 of the Texas Government Code, as amended, neither such bidder nor any syndicate member listed on its Official Bid Form, nor any parent company, wholly- or majority- owned subsidiaries, and other affiliates of the same, if any, boycotts Israel or will boycott Israel through the end of the underwriting period. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, "boycotts Israel" and "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes.

SANCTIONED COUNTRIES REPRESENTATION . . . By submission of a bid for the Bonds, the bidder represents and verifies that neither such bidder nor any syndicate member listed on its Official Bid Form, nor any parent company, wholly- or majority-owned subsidiaries, or other affiliates of the same are companies identified on a list prepared and maintained by the Texas Comptroller of Public Accounts (the "Comptroller") under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website: <https://comptroller.texas.gov/purchasing/docs/sudanlist.pdf>, <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/ftolist.pdf>. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes each bidder, any syndicate member listed on its Official Bid Form and each parent company, wholly- or majority-owned subsidiaries, and other affiliates, of the same, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

COMPLIANCE WITH LAWS PROHIBITING CONTRACTS WITH COMPANIES THAT BOYCOTT ENERGY COMPANIES . . . By submission of a bid for the Bonds, the bidder represents and verifies that to the extent a bid for the Bonds constitutes a contract for goods or services for which a written verification is required under Section 2274.002, Texas Government Code (as added by Senate Bill 13, 87th Texas Legislature, Regular Session ("SB 13")), as amended, the bidder and any syndicate member listed on its Official Bid Form, and the parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any, of the bidder or any syndicate member listed on its Official Bid Form (a) do not boycott energy companies and, such entities will not boycott energy companies through the end of the underwriting period, or (b) is a company identified on a list prepared and maintained by the Comptroller under Section 809.051, Texas Government Code, as amended. The foregoing verification is made solely to enable the Board to comply with such Section and to the extent such Section does not contravene applicable Federal or Texas law. As used in the foregoing verification, "boycott energy companies," a term defined in Section 2274.001(1), Texas Government Code (as enacted by SB 13) by reference to Section 809.001, Texas Government Code (also as enacted by SB 13), shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above.

COMPLIANCE WITH LAWS PROHIBITING CONTRACTS WITH COMPANIES THAT DISCRIMINATE AGAINST A FIREARM ENTITY OR TRADE ASSOCIATION. . . By submission of a bid for the Bonds, the bidder represents and verifies that to the extent a bid for the Bonds constitutes a contract for goods or services for which a written verification is required under Section 2274.002, Texas Government Code (as added by Senate Bill 19, 87th Texas Legislature, Regular Session, ("SB 19")), as amended, the neither bidder nor any syndicate member listed on its Official Bid Form, nor the parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any, of the bidder or any syndicate member listed on its Official Bid Form have a practice, policy, guidance or directive that discriminates against a firearm entity or firearm trade association; and such entities will not through the end of the underwriting period discriminate against a firearm entity or firearm trade association. The foregoing verification is made solely to enable the Board to comply with such Section and to the extent such Section does not contravene applicable Federal or Texas law. As used in the foregoing verification and the following definitions, (a) "discriminate against a firearm entity or firearm trade association," a term defined in Section 2274.001(3), Texas Government Code (as enacted by SB 19), (A) means, with respect to the firearm entity or firearm trade association, to (i) refuse to engage in the trade of any goods or services with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, (ii) refrain from continuing an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, or (iii) terminate an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association and (B) does not include (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories and (ii) a company's refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity's or association's status as a firearm entity or firearm trade association, (b) "firearm entity," a term defined in Section 2274.001(6), Texas Government Code (as enacted by SB 19), means a manufacturer, distributor, wholesaler, supplier, or retailer of firearms (defined in Section 2274.001(4), Texas Government Code, as enacted by SB 19, as weapons that expel projectiles by the action of explosive or expanding gases), firearm accessories (defined in Section 2274.001(5), Texas Government Code, as enacted by SB 19, as devices specifically designed or adapted to enable an individual to wear, carry, store, or mount a firearm on the individual or on a conveyance and items used in conjunction with or mounted on a firearm that are not essential to the basic function of the firearm, including detachable firearm magazines), or ammunition (defined in Section 2274.001(1), Texas Government Code, as enacted by SB 19, as a loaded cartridge case, primer, bullet, or propellant powder with or without a projectile) or a sport shooting range (defined in Section 250.001, Texas Local Government Code, as a business establishment, private club, or association that operates an area for the discharge or other use of firearms for silhouette, skeet, trap, black powder, target, self-defense, or similar recreational shooting), and (c) "firearm trade association," a term defined in Section 2274.001(7), Texas Government Code (as enacted by SB 19), means any person, corporation, unincorporated association, federation, business league, or business organization that (i) is not organized or operated for profit (and none of the net earnings of which inures to the benefit of any private shareholder or individual), (ii) has two or more firearm entities as members, and (iii) is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c) of that code.

For purposes of the provisions under "ADDITIONAL CONDITIONS OF AWARD", each bidder understands "affiliate" to mean an entity that (i) controls, is controlled by, or is under common control with such bidder or any syndicate member listed on its Official Bid Form and (ii) exists to make a profit.

REPRESENTATION REGARDING TEXAS ATTORNEY GENERAL STANDING LETTER. . . By submission of a bid for the Bonds, the bidder represents and verifies that the bidder and any syndicate member listed on its Official Bid Form, has on file with the Texas Attorney General either (i) a standing letter addressing the verifications contained in its Official Bid Form in a form acceptable to the Texas Attorney General, or (ii) another letter addressing the verifications in the Official Bid Form in a form acceptable to the Texas Attorney General. Each of bidder and any syndicate member listed on its Official Bid Form shall provide the Board with a copy of such letter not later than ten days prior to the Date of Delivery.

At the request of the Board, each bidder agrees to execute further written certification as may be necessary or convenient for the Board to establish compliance with the laws described above.

COMPLIANCE WITH LAWS PROHIBITING CONTRACTS WITH COMPANIES THAT BOYCOTT ENERGY COMPANIES. . .By submission of a bid for the Bonds, the bidder represents and verifies that to the extent a bid for the Bonds constitutes a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, neither the bidder nor any syndicate member listed on the Official Bid Form, nor the parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any, of the bidder or any syndicate member listed on the Official Bid Form boycott energy companies and, such entities will not boycott energy companies through the end of the underwriting period. The foregoing verification is made solely to enable the Issuer to comply with such Section and to the extent such Section does not contravene applicable Texas or federal law. As used in the foregoing verification, “boycott energy companies,” a term defined in Section 2274.001(1), Texas Government Code (as enacted by such Senate Bill) by reference to Section 809.001, Texas Government Code (also enacted by such Senate Bill) shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above. As used in this verification, the bidder and any syndicate member listed on the Official Bid Form understand ‘affiliate’ to mean an entity that controls, is controlled by, or is under common control with the bidder or syndicate member listed on the Official Bid Form, as applicable, within the meaning of SEC Rule 405, 17. C.F.R. § 230.405, and exists to make a profit.

COMPLIANCE WITH LAWS PROHIBITING CONTRACTS WITH COMPANIES THAT DISCRIMINATE AGAINST A FIREARM ENTITY OR TRADE ASSOCIATION. . .By submission of a bid for the Bonds, the bidder represents and verifies that to the extent a bid for the Bonds constitutes a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, neither bidder nor any syndicate member listed on the Official Bid Form, nor the parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any, of the bidder or any syndicate member listed on the Official Bid Form have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not through the end of the underwriting period discriminate against a firearm entity or firearm trade association. The foregoing verification is made solely to enable the Issuer to comply with such Section and to the extent such Section does not contravene applicable Texas or federal law.

As used in the foregoing verification and the following definitions:

“discriminate against a firearm entity or firearm trade association,” a term defined in Section 2274.001(3), Texas Government Code (as enacted by such Senate Bill), (A) means, with respect to the firearm entity or firearm trade association, to (i) refuse to engage in the trade of any goods or services with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, (ii) refrain from continuing an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, or (iii) terminate an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association and (B) does not include (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories and (ii) a company’s refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity’s or association’s status as a firearm entity or firearm trade association;

“firearm entity,” a term defined in Section 2274.001(6), Texas Government Code (as enacted by such Senate Bill), means a manufacturer, distributor, wholesaler, supplier, or retailer of firearms (defined in Section 2274.001(4) (as enacted by such Senate Bill) as weapons that expel projectiles by the action of explosive or expanding gases), firearm accessories (defined in Section 2274.001(5), Texas Government Code (as enacted by such Senate Bill) as devices specifically designed or adapted to enable an individual to wear, carry, store, or mount a firearm on the individual or on a conveyance and items used in conjunction with or mounted on a firearm that are not essential to the basic function of the firearm, including detachable firearm magazines), or ammunition (defined in Section 2274.001(1) (as enacted by such Senate Bill) as a loaded cartridge case, primer, bullet, or propellant powder with or without a projectile) or a sport shooting range (defined by Section 250.001, Texas Local Government Code, as a business establishment, private club, or association that operates an area for the discharge or other use of firearms for silhouette, skeet, trap, black powder, target, self-defense or similar recreational shooting; and

“firearm trade association,” a term defined in Section 2274.001(7), Texas Government Code (as enacted by such Senate Bill), means any person, corporation, unincorporated association, federation, business league, or business organization that (i) is not organized or operated for profit (and none of the net earnings of which inures to the benefit of any private shareholder or individual), (ii) has two or more firearm entities as members, and (iii) is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c) of that code.

As used in this verification, the bidder and any syndicate member listed on the Official Bid Form understand 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the bidder or syndicate member listed on the Official Bid Form, as applicable, within the meaning of SEC Rule 405, 17. C.F.R. § 230.405, and exists to make a profit.

ADDITIONAL ATTORNEY GENERAL-REQUIRED DOCUMENTATION REGARDING VERIFICATIONS. . . In addition to the verifications provided in the Official Bid Form, the bidder and each syndicate member agree to provide to the Issuer a stand-alone letter, in a form acceptable to the Issuer, executed by its general counsel, a managing director, chief compliance officer, or other comparable officer acceptable to the Issuer, providing further verification and confirmation of the the bidder's and any syndicate member's compliance with the matters set forth in the Official Bid Form. Such letters shall be addressed directly to the Issuer and the Attorney General of Texas.

IMPACT OF BIDDING SYNDICATE ON AWARD . . . For purposes of contracting for the sale of the Bonds, the entity signing the bid form as bidder shall be solely responsible for the payment of the purchase price of the Bonds. Each bidder may serve as a syndicate manager and enter into a contract with other syndicate members under a separate agreement. However, the Board is not a party to such agreements and any information provided regarding syndicate managers would be for informational purposes only.

DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS

CUSIP NUMBERS . . . It is anticipated that CUSIP identification numbers will appear on the Bonds, but neither the failure to print or type such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale and Bidding Instructions and the terms of the Official Bid Form. All expenses in relation to the printing or typing of CUSIP numbers on the Bonds shall be paid by the Board; provided, however, that the CUSIP Service Bureau charge for the assignment of the numbers shall be the responsibility of and shall be paid for by the Initial Purchaser.

DELIVERY OF BONDS . . . Initial delivery of the Bonds will be accomplished by the issuance of one Initial Bond, either in typed or printed form, in the aggregate principal amount of \$[00,000,000]*, payable in stated installments to the Initial Purchaser or its designee, signed by the Texas Water Development Board, approved by the Attorney General of the State of Texas and registered and manually signed by the Comptroller of Public Accounts. Upon delivery of the Initial Bond, it shall be immediately cancelled and one definitive Bond for each maturity will be registered and delivered only to Cede & Co. and deposited with DTC in connection with DTC's Book-Entry-Only System. Delivery will be at the corporate trust office of the Paying Agent/Registrar in Dallas, Texas. Payment for the Bonds must be made in immediately available funds for unconditional credit to the Board, or as otherwise directed by the Board. The Initial Purchaser will be given six business days' notice of the time fixed for delivery of the Bonds. It is anticipated that delivery of the Bonds can be made on or about August 16, 2022, and it is understood and agreed that the Initial Purchaser of the Bonds will accept delivery and make payment for the Bonds by 10:00 AM, CDT, on August 16, 2022. If for any reason the Board is unable to make delivery on or before August 16, 2022, the Board shall immediately contact the Initial Purchaser and offer to allow the Initial Purchaser to extend its offer for an additional thirty days. If the Initial Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit will be returned, and both the Board and the Initial Purchaser shall be relieved of any further obligation. In no event shall the Board be liable for any damages by reason of its failure to deliver the Bonds, provided such failure is due to circumstances beyond the Board's reasonable control.

CONDITIONS TO DELIVERY . . . The obligation of the Initial Purchaser to take up and pay for the Bonds is subject to the Initial Purchasers' receipt of (a) the legal opinion of Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel for the Board ("Bond Counsel") and (b) the no-litigation certificate.

LEGAL OPINION . . . The Bonds are offered when, as and if issued, subject to the approval of the Attorney General of the State of Texas. Delivery of and payment for the Bonds is subject to the receipt by the Initial Purchaser of an opinion of Bond Counsel, to the effect that the Bonds are valid and binding obligations of the Board and that, with respect to the Bonds only, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS – TAX EXEMPT BONDS" in the Preliminary Official Statement.

CERTIFICATION OF OFFICIAL STATEMENT . . . At the time of payment for and initial delivery of the Bonds, the Board will execute and deliver to the Initial Purchaser a certificate in the form set forth in the Preliminary Official Statement.

Additionally, at the time of payment for and initial delivery of the Bonds, the Board will be furnished a letter from the State, signed on behalf of the State by the Comptroller, concerning certain information regarding the State, upon which the Initial Purchaser will be authorized to rely. See "OTHER INFORMATION – Certification of Official Statement" in the Preliminary Official Statement.

CHANGE IN TAX EXEMPT STATUS OF THE BONDS . . . At any time before the Bonds are tendered for delivery, the Initial Purchaser may withdraw its bid if the interest received by private holders on obligations of the same type and character shall be declared to be includable in gross income under present federal income tax laws, either by ruling of the Internal Revenue Service or by a decision of any federal court, or shall be declared taxable or be required to be taken into account in computing any federal income taxes, by the terms of any federal income tax law enacted subsequent to the date of this Notice of Sale and Bidding Instructions.

* Preliminary, subject to change.

ESTABLISHING THE ISSUE PRICE FOR THE BONDS

The Board intends to rely on Treasury Regulation section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of municipal bonds), which requires, among other things, that the Board receives bids from **at least three underwriters** of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds (**the "Competitive Sale Requirement"**).

In the event that the bidding process for the Bonds does not satisfy the Competitive Sale Requirement, Bids **will not be subject to cancellation** and the winning bidder (i) agrees to promptly report to the Board the first prices at which at least 10% of each maturity of the Bonds (**the "First Price Maturity"**) have been sold to the Public on the Sale Date (**the "10% Test"**) (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% Test) and (ii) agrees to hold-the-offering-price of each maturity of the Bonds that does not satisfy the 10% Test (**"Hold-the-Price Maturity"**), as described below.

In order to provide the Board with information that enables it to comply with the establishment of the issue price of the Bonds under the Internal Revenue Code of 1986, as amended, the winning bidder agrees to complete, execute, and timely deliver to the Board or to the Board's municipal advisor, Hilltop Securities Inc. (the "Board's Municipal Advisor") a certification as to the Bonds' "issue price" (the "Issue Price Certificate") substantially in the form and to the effect attached hereto or accompanying this Notice of Sale, within 5 business days prior to the Date of Delivery if the Competitive Sale Requirement is satisfied or within 5 business days of the date on which the 10% Test is satisfied with respect to all of the First Price Maturities. In the event the winning bidder will not reoffer any maturity of the Bonds for sale to the Public (as defined herein) by the Date of Delivery, the Issue Price Certificate may be modified in a manner approved by the Board. It will be the responsibility of the winning bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain such facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel (identified in the Preliminary Official Statement).

For purposes of this section of this Notice of Sale:

- (i) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to the Underwriter.
- (ii) "Underwriter" means (A) any person that agrees pursuant to a written contract with the Board (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).
- (iii) "Related Party" means any two or more persons (including an individual, trust, estate, partnership, association, company, or corporation) that are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "Sale Date" means the date that the Bonds are awarded by the Board to the winning bidder.

All actions to be taken by the Board under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the Board by the Board's Municipal Advisor, and any notice or report to be provided to the Board may be provided to the Board's Municipal Advisor.

The Board will consider any bid submitted pursuant to this Notice of Sale to be a firm offer for the purchase of the Bonds, as specified in the bid and, if so stated, in the Official Bid Form.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to report the prices at which it sells to the Public the unsold Bonds of each maturity allocated to it until either all such Bonds have been sold or it is notified by the winning bidder that either the 10% Test has been satisfied as to the Bonds of that maturity, (B) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a Related Party to an Underwriter, and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder will assume that based on such agreement each order submitted by the underwriter, dealer or broker-dealer is a sale to the Public; and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a third-party distribution

agreement to be employed in connection with the initial sale of the Bonds to the Public to require each underwriter or dealer that is a party to such third-party distribution agreement to report the prices at which it sells to the Public the unsold Bonds of each maturity allocated to it until either all such Bonds have been sold or it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity. Sales of any Bonds to any person that is a Related Party to an Underwriter shall not constitute sales to the public for purposes of this Notice of Sale.

By submitting a bid, the winning bidder agrees, on behalf of each Underwriter participating in the purchase of the Bonds, that each Underwriter will neither offer nor sell any Hold-the-Price Maturity to any person at a price that is higher than the initial offering price to the Public during the period starting on the Sale Date and ending on the earlier of (1) the close of the fifth (5th) business day after the Sale Date; or (2) the date on which the Underwriters have sold at least 10% of that Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public. The winning bidder shall promptly advise the Board when the Underwriters have sold 10% of a Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

GENERAL

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

BLUE SKY LAWS . . . By submission of its bid, each bidder represents that the sale of the Bonds in states other than Texas will be made only pursuant to exemptions from registration or, where necessary, the bidder will register the Bonds in accordance with the securities law of the states in which the Bonds are offered or sold. The Board agrees to cooperate with the Initial Purchasers, at the Initial Purchasers' written request and expense, in registering the Bonds or obtaining an exemption from registration in any state where such action is necessary; provided, however, that the Board shall not be obligated to qualify as a foreign corporation or to execute a general or special consent to service of process in any such jurisdiction.

NOT AN OFFER TO SELL . . . This Notice of Sale and Bidding Instructions does not alone constitute an offer to sell the Bonds but is merely notice of the sale of the Bonds. The offer to sell the Bonds is being made by means of the Notice of Sale and Bidding Instructions, the respective Official Bid Form and the Preliminary Official Statement. Bidders are urged to carefully examine the Preliminary Official Statement to determine the investment quality of the Bonds.

RATINGS . . . The Bonds are rated "___" by Fitch Ratings ("Fitch"), "___" by Moody's and "___" by S&P Global Ratings ("S&P") without regard to credit enhancement.

THE PRELIMINARY OFFICIAL STATEMENT AND COMPLIANCE WITH SEC RULE 15c2-12 . . . The Board has prepared the accompanying Preliminary Official Statement and, for the limited purpose of complying with U.S. Securities and Exchange Commission Rule 15c2-12 (the "Rule"), deems such Preliminary Official Statement to be final as of its date within the meaning of such Rule for the purpose of review prior to bidding. To the best knowledge and belief of the Board, the Preliminary Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Bonds. Representations made and to be made by the Board and the State concerning the absence of material misstatements and omissions in the Preliminary Official Statement are addressed elsewhere in this Notice of Sale and Bidding Instructions and in the Preliminary Official Statement.

The Board will furnish to the Initial Purchaser, acting through a designated senior representative, in accordance with instructions received from such Initial Purchaser, within seven (7) business days from the sale date an aggregate of 100 copies of the Official Statement reflecting interest rates and other terms relating to the initial reoffering of the Bonds. The cost of any Official Statement in excess of the number specified shall be prepared and distributed at the cost of such Initial Purchaser. The Initial Purchaser shall be responsible for providing in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award. Except as noted above, the Board assumes no responsibility or obligation for the distribution or delivery of any copies of the Official Statement in connection with the offering or reoffering of the Bonds.

CONTINUING DISCLOSURE AGREEMENT . . . The Board has agreed in the Resolution to provide certain periodic information and notices of material events in accordance with the Rule, as described in the Preliminary Official Statement under "CONTINUING DISCLOSURE OF INFORMATION – Continuing Disclosure Undertaking of the Board". The Initial Purchaser's obligation to accept and pay for the Bonds is conditioned upon delivery to the Initial Purchaser or its agent of a certified copy of the Resolution containing the agreement described under such heading.

Additionally, the Comptroller has entered into a separate undertaking for the benefit of bondholders to provide certain updated information and notices to the Municipal Securities Rulemaking Board. See "CONTINUING DISCLOSURE OF INFORMATION – Continuing Disclosure Undertaking of the Comptroller" in the Preliminary Official Statement.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . As described in the Official Statement, during the last five years, the Board has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

ADDITIONAL COPIES OF NOTICE, BID FORM AND STATEMENT . . . A limited number of additional copies of this Notice of Sale and Bidding Instructions, the Official Bid Form and the Preliminary Official Statement, as available over and above the normal mailing, may be obtained at the offices of Hilltop Securities Inc., 1201 Elm Street, Suite 3500, Dallas, Texas 75270, Financial Advisor to the Board.

On the date of the sale, the Board will, in the Resolution authorizing the issuance of the Bonds, confirm its approval of the form and content of the Preliminary Official Statement, and any addenda, supplement or amendment thereto, and authorize the use of the final Official Statement in the reoffering of the respective Bonds by the Initial Purchaser.

GEORGIA SANCHEZ
Director, Debt and Portfolio Management and
Development Fund Manager
Texas Water Development Board

July 22, 2022

DRAFT

BOND YEARS*

<u>Bonds Maturing</u>	<u>Amount</u>	<u>Bond Years</u>	<u>Accumulated Bond Years</u>	<u>Bonds Maturing</u>
2023	\$ 0	-	-	2023
2024	0	-	-	2024
2025	0	-	-	2025
2026	0	-	-	2026
2027	0	-	-	2027
2028	0	-	-	2028
2029	0	-	-	2029
2030	0	-	-	2030
2031	0	-	-	2031
2032	0	-	-	2032
2033	0	-	-	2033
2034	0	-	-	2034
2035	0	-	-	2035
2036	0	-	-	2036
2037	0	-	-	2037
2038	0	-	-	2038
2039	0	-	-	2039
2040	0	-	-	2040
2041	0	-	-	2041
2042	0	-	-	2042

Average Maturity _____ Years

* Preliminary, subject to change.

OFFICIAL BID FORM

Texas Water Development Board

August 4, 2022

Board Members:

Reference is made to your Preliminary Official Statement and Notice of Sale and Bidding Instructions, dated July 22, 2022 of \$[00,000,000]* WATER FINANCIAL ASSISTANCE BONDS, SERIES 2022E (ECONOMICALLY DISTRESSED AREAS PROGRAM) (the "Bonds").

For your legally issued Bonds, as described in said Notice of Sale and Bidding Instructions and Preliminary Official Statement, we will pay you a price of \$ _____ (representing the par amount of the Bonds, plus a [net] original offering premium of \$ _____ and minus Purchaser's discount of \$ _____) plus accrued interest from their delivery date, for Bonds maturing on the dates and bearing interest as follows:

<u>Maturity</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>
8/1/2023	\$ 0	_____	8/1/2030	\$ 0	_____	8/1/2036	\$ 0	_____
8/1/2024	0	_____	8/1/2031	0	_____	8/1/2037	0	_____
8/1/2025	0	_____	8/1/2032	0	_____	8/1/2038	0	_____
8/1/2026	0	_____	8/1/2033	0	_____	8/1/2039	0	_____
8/1/2027	0	_____	8/1/2034	0	_____	8/1/2040	0	_____
8/1/2028	0	_____	8/1/2035	0	_____	8/1/2041	0	_____
8/1/2029	0	_____				8/1/2042	0	_____

Of the principal maturities set forth in the table above, Term Bonds have been created as indicated in the following table (which may include multiple Term Bonds, one Term Bond or no Term Bond if none is indicated). For those years which have been combined into a Term Bond, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the Term Bond maturity date shall mature in such year. The Term Bonds created are as follows:

<u>Maturity Date</u>	<u>Year of First Mandatory Redemption</u>	<u>Principal</u>	<u>Interest Rate</u>
August 1			_____ %
_____	_____	_____	_____ %
_____	_____	_____	_____ %
_____	_____	_____	_____ %
_____	_____	_____	_____ %

Our calculation (which is not a part of this bid) of the true interest cost from the above is:

TRUE INTEREST COST _____ %

The Initial Bond shall be registered in the name of _____, which will, upon payment for the Bonds, be canceled by the Paying Agent/Registrar. The Bonds will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System.

A bank cashier's check or certified check of the _____ Bank, _____, in the amount of \$[000,000], which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this bid), and is submitted in accordance with the terms as set forth in the Preliminary Official Statement and Notice of Sale and Bidding Instructions. Such Good Faith Deposit is payable to the order of "Texas Water Development Board." If the Bonds are awarded to us, the Good Faith Deposit will remain uncashed and will be returned to us at the time of delivery of the Bonds by the Board.

We agree to accept delivery of the Bonds utilizing the Book-Entry-Only System through DTC and make payment for the Initial Bond in immediately available funds to the Paying Agent/Registrar, not later than 9:00 AM, CDT, on August 16, 2022, or thereafter on the date the Bonds are tendered for delivery, pursuant to the terms set forth in the Notice of Sale and Bidding Instructions. It will be the obligation of the Initial Purchaser of the Bonds to complete the DTC Eligibility Questionnaire.

* Preliminary, subject to change. See "THE SALE - Advance Modification of Principal Amounts" and " - Post Bid Modification of Principal Amounts" in the Notice of Sale and Bidding Instructions describing the Board's right to modify the principal amounts of each maturity. In the event any principal amounts are modified, the Board will notify the Initial Purchaser of such modifications and will provide a substitute first page of the Official Bid Form reflecting the final maturities.

The undersigned agrees to complete, execute, and deliver to the Board, at least six business days prior to delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form and to the effect accompanying the Notice of Sale and Bidding Instructions, with such changes thereto as may be acceptable to the Board.

The undersigned is/ is not (check appropriate box) a publicly traded business entity, or a wholly owned subsidiary of a publicly traded business entity. If the undersigned is not a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity, the undersigned understands that upon notification of conditional verbal acceptance, the undersigned will complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Form 1295") through the Texas Ethics Commission's (the "TEC") electronic portal as provided in the Notice of Sale and Bidding Instructions under the sub-caption "ADDITIONAL CONDITIONS OF AWARD – DISCLOSURE OF INTERESTED PARTY FORM" and the resulting certified Form 1295 that is generated by the TEC's electronic portal will be printed, signed and sent by email to the Board at georgia.sanchez@twdb.texas.gov and to the Board's Bond Counsel at jkyle@orrick.com. The undersigned understands that unless it is a publicly traded business entity, or a wholly owned subsidiary of a publicly traded business entity, the failure to provide the certified Form 1295 will prohibit the Board from providing final written award of the enclosed bid.

By executing this Bid Form, the bidder represents that, to the extent Section 2270.002 of the Texas Government Code is applicable to the sale of the Bonds solely for purposes of compliance with Chapter 2270 of the Texas Government Code, and subject to applicable Federal law, neither the bidder nor any syndicate member listed on the Official Bid Form nor any wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of the same, (i) boycotts Israel or (ii) will boycott Israel through the end of the underwriting period. For purposes of this representation, the terms "boycotts Israel" and "boycott Israel" have the meanings assigned to the term "boycott Israel" in Section 808.001 of the Texas Government Code, as amended.

By executing this Bid Form, the bidder also represents that, as of the date of this bid form, to the extent the bid for the Bonds represents a governmental contract within the meaning of Section 2252.151 of the Texas Government Code, as amended, solely for purposes of Chapter 2252 of the Texas Government Code, and except to the extent otherwise required by applicable Federal law, neither the bidder nor a syndicate member listed on the Official Bid Form, nor any wholly owned subsidiary, majority owned subsidiary, parent company or affiliate of the same is an entity listed by the Texas Comptroller of Public Accounts (the "Comptroller") under Sections 2252.153 or 2270.0201 of the Texas Government Code, as amended.

By executing this Bid Form, the bidder represents and verifies that to the extent a bid for the Bonds constitutes a contract for goods or services for which a written verification is required under Section 2274.002, Texas Government Code (as added by Senate Bill 13, 87th Texas Legislature, Regular Session ("SB 13")), as amended, the bidder and any syndicate member listed on this Official Bid Form, and the parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any, of the bidder or any syndicate member listed on this Official Bid Form (a) do not boycott energy companies and, such entities will not boycott energy companies through the end of the underwriting period, or (b) is a company identified on a list prepared and maintained by the Comptroller under Section 809.051, Texas Government Code, as amended. The foregoing verification is made solely to enable the Board to comply with such Section and to the extent such Section does not contravene applicable Federal or Texas law. As used in the foregoing verification, "boycott energy companies," a term defined in Section 2274.001(1), Texas Government Code (as enacted by SB 13) by reference to Section 809.001, Texas Government Code (also as enacted by SB 13), shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above.

By executing this Bid Form, the bidder represents and verifies that to the extent a bid for the Bonds constitutes a contract for goods or services for which a written verification is required under Section 2274.002, Texas Government Code (as added by Senate Bill 19, 87th Texas Legislature, Regular Session, ("SB 19")), as amended, the neither bidder nor any syndicate member listed on this Official Bid Form, nor the parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any, of the bidder or any syndicate member listed on this Official Bid Form have a practice, policy, guidance or directive that discriminates against a firearm entity or firearm trade association; and such entities will not through the end of the underwriting period discriminate against a firearm entity or firearm trade association. The foregoing verification is made solely to enable the Board to comply with such Section and to the extent such Section does not contravene applicable Federal or Texas law.

As used in the foregoing verification and the following definitions, (a) "discriminate against a firearm entity or firearm trade association," a term defined in Section 2274.001(3), Texas Government Code (as enacted by SB 19), (A) means, with respect to the firearm entity or firearm trade association, to (i) refuse to engage in the trade of any goods or services with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, (ii) refrain from continuing an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, or (iii) terminate an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association and (B) does not include (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories and (ii) a company's refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity's or association's status as a firearm entity or firearm trade association, (b) "firearm entity," a term defined in Section 2274.001(6), Texas Government Code (as enacted by SB 19), means a manufacturer,

distributor, wholesaler, supplier, or retailer of firearms (defined in Section 2274.001(4), Texas Government Code, as enacted by SB 19, as weapons that expel projectiles by the action of explosive or expanding gases), firearm accessories (defined in Section 2274.001(5), Texas Government Code, as enacted by SB 19, as devices specifically designed or adapted to enable an individual to wear, carry, store, or mount a firearm on the individual or on a conveyance and items used in conjunction with or mounted on a firearm that are not essential to the basic function of the firearm, including detachable firearm magazines), or ammunition (defined in Section 2274.001(1), Texas Government Code, as enacted by SB 19, as a loaded cartridge case, primer, bullet, or propellant powder with or without a projectile) or a sport shooting range (defined in Section 250.001, Texas Local Government Code, as a business establishment, private club, or association that operates an area for the discharge or other use of firearms for silhouette, skeet, trap, black powder, target, self-defense, or similar recreational shooting), and (c) "firearm trade association," a term defined in Section 2274.001(7), Texas Government Code (as enacted by SB 19), means any person, corporation, unincorporated association, federation, business league, or business organization that (i) is not organized or operated for profit (and none of the net earnings of which inures to the benefit of any private shareholder or individual), (ii) has two or more firearm entities as members, and (iii) is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c) of that code.

As used in the verifications contained in this Official Bid Form, the bidder and any syndicate member listed on this Official Bid Form understands "affiliate" to mean an entity that (i) controls, is controlled by, or is under common control with such bidder or any syndicate member listed on this Official Bid Form and (ii) exists to make a profit.

By executing this Official Bid Form, the bidder also represents and verifies that to the extent a bid for the Bonds constitutes a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, neither the bidder nor any syndicate member listed on the Official Bid Form, nor the parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any, of the bidder or any syndicate member listed on the Official Bid Form boycott energy companies and, such entities will not boycott energy companies through the end of the underwriting period. The foregoing verification is made solely to enable the Issuer to comply with such Section and to the extent such Section does not contravene applicable Texas or federal law. As used in the foregoing verification, "boycott energy companies," a term defined in Section 2274.001(1), Texas Government Code (as enacted by such Senate Bill) by reference to Section 809.001, Texas Government Code (also enacted by such Senate Bill) shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above. As used in this verification, the bidder and any syndicate member listed on the Official Bid Form understand 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the bidder or syndicate member listed on the Official Bid Form, as applicable, within the meaning of SEC Rule 405, 17. C.F.R. § 230.405, and exists to make a profit.

By executing this Official Bid Form, the bidder also represents and verifies that to the extent a bid for the Bonds constitutes a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, neither bidder nor any syndicate member listed on the Official Bid Form, nor the parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any, of the bidder or any syndicate member listed on the Official Bid Form have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not through the end of the underwriting period discriminate against a firearm entity or firearm trade association. The foregoing verification is made solely to enable the Issuer to comply with such Section and to the extent such Section does not contravene applicable Texas or federal law.

As used in the foregoing verification and the following definitions:

"discriminate against a firearm entity or firearm trade association," a term defined in Section 2274.001(3), Texas Government Code (as enacted by such Senate Bill), (A) means, with respect to the firearm entity or firearm trade association, to (i) refuse to engage in the trade of any goods or services with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, (ii) refrain from continuing an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, or (iii) terminate an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association and (B) does not include (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories and (ii) a company's refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity's or association's status as a firearm entity or firearm trade association;

"firearm entity," a term defined in Section 2274.001(6), Texas Government Code (as enacted by such Senate Bill), means a manufacturer, distributor, wholesaler, supplier, or retailer of firearms (defined in Section 2274.001(4) (as enacted by such Senate Bill) as weapons that expel projectiles by the action of explosive or expanding gases), firearm accessories (defined in Section 2274.001(5), Texas Government Code (as enacted by such Senate Bill) as devices specifically designed or adapted to enable an individual to wear, carry, store, or mount a firearm on the individual or on a conveyance and items used in conjunction with or mounted on a firearm that are not essential to the basic function of the firearm, including detachable

firearm magazines), or ammunition (defined in Section 2274.001(1) (as enacted by such Senate Bill) as a loaded cartridge case, primer, bullet, or propellant powder with or without a projectile) or a sport shooting range (defined by Section 250.001, Texas Local Government Code, as a business establishment, private club, or association that operates an area for the discharge or other use of firearms for silhouette, skeet, trap, black powder, target, self-defense or similar recreational shooting; and

“firearm trade association,” a term defined in Section 2274.001(7), Texas Government Code (as enacted by such Senate Bill), means any person, corporation, unincorporated association, federation, business league, or business organization that (i) is not organized or operated for profit (and none of the net earnings of which inures to the benefit of any private shareholder or individual), (ii) has two or more firearm entities as members, and (iii) is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c) of that code.

As used in this verification, the bidder and any syndicate member listed on the Official Bid Form understand ‘affiliate’ to mean an entity that controls, is controlled by, or is under common control with the bidder or syndicate member listed on the Official Bid Form, as applicable, within the meaning of SEC Rule 405, 17. C.F.R. § 230.405, and exists to make a profit.

If the bid is accepted by the Board, this bid shall thereupon become a contract of purchase for the Bonds under the terms contained in this Official Bid Form and in the Notice of Sale and Bidding Instructions. We hereby acknowledge that we have received and read the Notice of Sale and Bidding Instructions and Preliminary Official Statement referred to above.

We agree to provide in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award.

Respectfully submitted,

Syndicate Members:

Name of Underwriter or Manager

Authorized Representative

Phone Number

Signature

DRAFT
ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the Texas Water Development Board, subject to and in accordance with the Notice of Sale and Bidding Instructions, this the 4th day of August 2022.

ATTEST:

GEORGIA SANCHEZ
Director, Debt and Portfolio Management and
Development Fund Manager
Texas Water Development Board

CERTIFICATE REGARDING ISSUE PRICE

The undersigned, being a duly authorized representative of the underwriter or the manager of the syndicate of underwriters ("Underwriter") which has purchased the Water Financial Assistance Bonds, Series 2022E (Economically Distressed Areas Program) (the "Bonds"), being issued by the Texas Water Development Board (the "Board"), hereby certifies and represents, based on its records and information, as follows:

(1) On the Sale Date, the Underwriter's reasonably expected initial offering price of each Maturity of the Bonds (the "Expected Offering Price") to as the Public is set forth in the pricing wire or equivalent communication for the Bonds, as attached to this Issue Price Certificate as **Schedule A**. The Expected Offering Prices are the prices for the Bonds used by the Underwriter in formulating its bid to purchase the Bonds.

(2) The Underwriter had an equal opportunity to bid to purchase the Bonds and it was not given the opportunity to review other bids that was not equally given to all other bidders (i.e., no last look).

(3) The bid submitted by the Underwriter constituted a firm bid to purchase the Bonds.

(4) The Underwriter has made a bona fide offering of all the Bonds of each Maturity to the Public at its Expected Offering Price set forth in **Schedule A**.

If less than 3 qualified bids are received from underwriters, please attach Schedule B.

(5) On the Sale Date, the first price at which at least 10% of each Maturity of the Bonds, except for Bonds listed on Schedule B (the "Hold-the-Offering-Price Maturities"), was sold to the Public is the respective price listed in Schedule A.

(6) As set forth in the Notice of Sale for the Bonds, the Underwriter has agreed in writing that, (i) for each of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Expected Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Bonds of the Hold-the-Offering-Price Maturities to any person at a price that is higher than the respective Expected Offering Price for that Maturity of the Bonds during the Holding Period.

(7) ***Defined Terms.***

(i) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule B hereto as the "Hold-the-Offering-Price Maturities."

(ii) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Expected Offering Price for such Hold-the-Offering-Price Maturity.

(iii) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(iv) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any entity if an Underwriter and such entity are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profit interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(v) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the Bonds. The Sale Date of the Bonds is _____, 2022.

(vi) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Board (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

() Purchaser will not purchase bond insurance for the Bonds.

() Purchaser will purchase bond insurance from _____ (the "Insurer") for a fee/premium of \$ _____ (the "Fee"). To the best of the undersigned's knowledge, information and belief, based upon the facts available at this time and current market conditions, the Fee is a reasonable amount payable solely for the transfer of credit risk for the payment of debt service on the Bonds and does not include any amount payable for a cost other than such guarantee, e.g., a credit rating or legal fees. Purchaser represents that the present value of the Fee for each obligation constituting the Bonds to which such Fee is properly allocated, and which are insured thereby is less than the present value of the interest reasonably expected to be saved as a result of the insurance on each obligation constituting the Bonds. In determining present value for this purpose, the yield of the Bonds (determined with regard to the payment of the guarantee fee) has been used as the discount rate. The Fee has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Bonds. No portion of the Fee is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such Fee that has not been earned.

The undersigned understands that the foregoing information will be relied upon by Board with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Orrick, Herrington & Sutcliffe LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Board from time to time relating to the Bonds. Notwithstanding anything set forth herein, the Underwriter is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

By: _____

Name: _____

Dated: _____

DRAFT

SCHEDULE A

PRICING WIRE

DRAFT

SCHEDULE B

HOLD-THE-OFFERING-PRICE MATURITIES

DRAFT