

## AGENDA ITEM MEMO

**BOARD MEETING DATE:** April 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  
David Duran, Financial Analyst

**SUBJECT:** Texas Water Development Board State Revolving Fund Revenue Bonds

### **ACTION REQUESTED**

Consider approving by resolution: (a) the issuance, sale and delivery of Texas Water Development Board State Revolving Fund Revenue Bonds, in one or more series; (b) a Preliminary Official Statement; and (c) authorization for the Executive Administrator, Chief Financial Officer, Development Fund Manager, or any other authorized representative to act on behalf of the Texas Water Development Board in the sale and delivery of multiple series of such bonds.

### **BACKGROUND**

Authorization was previously received to initiate the bond issuance process to provide funding for eligible projects through the Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF), state matching funds for projected federal CWSRF and DWSRF capitalization grants, and costs of issuance. Hilltop Securities Inc. was selected to serve as financial advisor, McCall, Parkhurst & Horton L.L.P. was selected to serve as bond counsel, and Bracewell LLP was selected to serve as disclosure counsel. Piper Sandler & Co. was selected to serve as senior managing underwriter for the transaction. Baird, Jefferies, Mesirow Financial, Inc.; and Morgan Stanley were selected to serve as co-managing underwriters.

Staff, in coordination with the consultants, has drafted and attached the required documents, including a supplemental bond resolution and Preliminary Official Statement. Upon approval, a formal Notice of Intent to issue debt will be provided to the Bond Review

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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

Board (BRB), and approval is expected from the BRB in advance of posting the Preliminary Official Statement. Legislative Budget Board approval is not required for this transaction. Staff anticipates non-substantive edits to update the bond 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 is \$325,000,000.

The costs of issuance for the transaction have been estimated at a not-to-exceed of \$4.25 per bond for the underwriter's discount, and \$755,000 for all other transaction-related fees and expenses. The estimated costs of issuance are appropriate, but may be negotiated further based on market conditions at the time of pricing.

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

- **April 11, 2022** Board considers bond sale resolution/documents
- **June 8, 2022** Bond pricing initiation
- **June 9, 2022** Bond pricing
- **June 30, 2022** Closing and delivery of the bonds

### **RECOMMENDATION**

In order to provide low-cost financing in a timely manner for eligible projects through the CWSRF and DWSRF, state matching funds for projected CWSRF and DWSRF capitalization grants, and costs of issuance, the Executive Administrator recommends approving by resolution: (a) the issuance, sale and delivery of Texas Water Development Board State Revolving Fund Revenue Bonds, in one or more series; (b) a Preliminary Official Statement; and (c) authorization for the Executive Administrator, Chief Financial Officer, 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.

Attachments:

1. Draft Bond Resolution
2. Draft Preliminary Official Statement

**FIFTH SUPPLEMENTAL RESOLUTION**

**AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF TEXAS WATER DEVELOPMENT BOARD STATE REVOLVING FUND REVENUE BONDS, NEW SERIES 2022; AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO.**

Dated

April 11, 2022

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EXHIBITS:

- Exhibit A – Definitions
- Exhibit B – Form of Bonds
- Exhibit C – Form of Bond Purchase Agreement
- Exhibit D – Form of Official Statement
- Exhibit E – Form of Agency Agreement
- Exhibit F – Description of Annual Financial Information of the Board
- Exhibit G – Description of Annual Financial Information of Existing Significant Borrowers

## FIFTH SUPPLEMENTAL RESOLUTION

### **AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF TEXAS WATER DEVELOPMENT BOARD STATE REVOLVING FUND REVENUE BONDS, NEW SERIES 2022; AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO.**

WHEREAS, on March 1, 2018, the Board adopted its “Master Resolution Establishing a Financing Program to Provide Funds to the State Water Pollution Control Revolving Fund and the State Safe Drinking Water Revolving Fund; Approving and Authorizing Texas Water Development Board State Revolving Fund Revenue Bonds to be Issued in Various Series and to be Sold and Delivered in Various Forms and in Installments; Providing for Credit Enhancement Agreements and Subordinated Credit Agreements; Making Certain Covenants and Agreements in Connection Therewith, Including Providing Common Security For State Revolving Fund Bonds through the State Water Pollution Control Revolving Fund and the State Safe Drinking Water Revolving Fund; Providing for the Transfer of Revenues and other Assets from the State Water Pollution Control Revolving Fund and State Safe Drinking Water Revolving Fund in support of Additional State Revolving Funds; and Resolving Other Matters Incident and Related Thereto” (the “Master Resolution”); and

WHEREAS, in adopting the Master Resolution, it was the intent of the Board that it retain the right to issue SRF Bonds and Subordinate Obligations and enter into Credit Enhancement Agreements and Subordinated Credit Agreements, at any time and from time to time, and to establish Program Periods during which SRF Bonds of a Series or a Program Series may be issued in one or more Installments, to the extent permitted by the Master Resolution; and

WHEREAS, in adopting the Master Resolution, it was the intent of the Board to implement cross collateralization of and between the CWSRF and the DWSRF in support of SRF Bonds and Subordinate Obligations in the manner provided in the Master Resolution; and

WHEREAS, on March 1, 2018, the Board adopted the First Supplemental Resolution and in accordance with the terms of the Master Resolution and the First Supplemental Resolution, the Board issued its State Revolving Fund Revenue Bonds, New Series 2018, in the aggregate principal amount of \$288,395,000 (the “Series 2018 Bonds”); and

WHEREAS, on February 11, 2019, the Board adopted the Second Supplemental Resolution and in accordance with the terms of the Master Resolution and the Second Supplemental Resolution, the Board issued its State Revolving Fund Revenue Bonds, New Series 2019, in the aggregate principal amount of \$221,005,000 (the “Series 2019 Bonds”); and

WHEREAS, on April 9, 2020, the Board adopted the Third Supplemental Resolution and in accordance with the terms of the Master Resolution and the Third Supplemental Resolution, the Board issued its State Revolving Fund Revenue Bonds, New Series 2020, in the aggregate principal amount of \$352,590,000 (the “Series 2020 Bonds”); and

WHEREAS, on September 9, 2021, the Board adopted the Fourth Supplemental Resolution and in accordance with the terms of the Master Resolution and the Fourth

Supplemental Resolution, the Board issued its State Revolving Fund Revenue Bonds, New Series 2021, in the aggregate principal amount of \$386,155,000 (the “Series 2021 Bonds”); and

WHEREAS, the terms and provisions of the Master Resolution are fully incorporated herein as if set forth in this Fifth Supplemental Resolution; and

WHEREAS, all requirements of law have been fully complied with, and all other acts and things necessary to make the Series 2022 Bonds, when executed by the Board and when authenticated and delivered, duly issued, valid and binding special obligations of the Board;

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

## ARTICLE I

### AUTHORITY AND DEFINITIONS

SECTION 1.01. Supplemental Resolution. This Fifth Supplemental Resolution is authorized pursuant to Sections 2.04 and 7.04 of the Master Resolution.

SECTION 1.02. Definitions. Capitalized terms used in this Fifth Supplemental Resolution and not otherwise defined herein shall have the meanings assigned to such terms in Exhibit A of the Master Resolution. In addition, capitalized terms used in this Fifth Supplemental Resolution and in the recitals hereto shall have the meanings set forth in Exhibit A to this Fifth Supplemental Resolution unless the context or use clearly indicates another or different meaning or intent and such definitions shall be equally applicable to both the singular and plural forms of the terms and words herein defined.

SECTION 1.03. Rules of Construction. For all purposes of this Fifth Supplemental Resolution, unless the context requires otherwise, all references to designated Articles, Sections and other subdivisions are to articles, sections and other subdivisions of this Fifth Supplemental Resolution. References to any constitutional, statutory or regulatory provision means such provision as it exists on the date this Fifth Supplemental Resolution is adopted by the Board and any future amendment thereto or successor provision thereof. Unless otherwise noted, references to time shall be to New York City time.

SECTION 1.04. Interpretations. The table of contents, titles, captions and headings of the articles and sections of this Fifth Supplemental 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

### AUTHORIZATION AND TERMS OF SERIES 2022 BONDS

SECTION 2.01. Authorization and Designation; Payment. In accordance with and subject to the terms, conditions and limitations established in the Master Resolution and this Fifth Supplemental Resolution, one or more Series of Bonds (the “Series 2022 Bonds”) are hereby authorized to be issued in a maximum aggregate principal amount not to exceed THREE HUNDRED TWENTY-FIVE MILLION and NO/100 DOLLARS (\$325,000,000.00). The Series

2022 Bonds shall be issued for the purposes of (i) providing funds to the Water Resources Fund (as provided in Section 3.01) to (A) augment the CWSRF and the DWSRF and (B) provide state matching funds for the purpose of obtaining federal capitalization grants relating to the CWSRF and the DWSRF and (ii) paying costs of issuance relating to the Series 2022 Bonds. Series 2022 Bonds may be sold for any one or more of the purposes described in clauses (i) and (ii) above. The Series 2022 Bonds constitute a Series of SRF Bonds. The aggregate principal amount of the Series 2022 Bonds, maturity date(s), Date of Delivery, dated date, the principal amount of each maturity of the Series 2022 Bonds, interest rate(s), price(s), redemption features and other terms of the Series 2022 Bonds, including, without limitation, Series 2022 Bonds issued as tax-exempt obligations, taxable obligations, or a combination of tax-exempt and taxable obligations, shall be determined by an Authorized Representative, acting pursuant to Section 3.01 of this Fifth Supplemental Resolution; provided, that the aggregate principal amount of the Series 2022 Bonds shall not exceed the maximum aggregate principal amount of Series 2022 Bonds authorized by this Fifth Supplemental Resolution, the maximum Underwriters' discount in the sale of the Series 2022 Bonds shall not exceed \$4.25 per Bond, no maturity date for a Series 2022 Bond shall exceed thirty (30) years from the Date of Delivery therefor and no Series 2022 Bond shall bear interest at a rate that exceeds 6.00% per annum.

Each Series 2022 Bond shall bear such designation as approved by the Authorized Representative acting pursuant to Section 3.01 of this Fifth Supplemental Resolution to distinguish it from any other Series 2022 Bond. Each Series 2022 Bond shall be issued as a fully registered bond without coupons and shall be issued in an Authorized Denomination. The Series 2022 Bonds shall be numbered consecutively from R-1 upward bearing numbers not then contemporaneously outstanding (in order of issuance) according to the records of the Agent. The foregoing notwithstanding, the Board agrees to cause to be delivered to the Agent one (1) single bond, numbered T-1 and registered to Piper Sandler & Co. (the "Initial Bond"), following the approval by the Attorney General and the registration by the Comptroller, as further provided in the FORM OF BOND.

The principal of, redemption premium, if any, and the interest on the Series 2022 Bonds shall be payable in Dollars. The principal of and redemption premium, if any, on all Series 2022 Bonds shall be payable at the principal office of the Agent upon the presentation and surrender thereof as such Series 2022 Bonds become due and payable. The interest on Series 2022 Bonds shall be paid by check or draft drawn upon the Agent and mailed to the persons in whose names the Series 2022 Bonds are registered on the Register at the close of business on the Record Date next preceding such Interest Payment Date. Notwithstanding the foregoing, during any period in which ownership of any Series 2022 Bond is determined by a book-entry system at a securities depository, payment on such Series 2022 Bond made to the securities depository, or its nominee, shall be made in accordance with arrangements among the Board, the Agent and the Depository.

The Authorized Representative shall execute a pricing certificate to establish those Series 2022 Bonds providing funds to the CWSRF and the DWSRF, consistent with clauses (i)(A) and (i)(B) of the first paragraph of this Section 2.01.

#### SECTION 2.02. Maturity Dates; Accrual and Determination of Interest.

The Series 2022 Bonds shall mature on their respective Maturity Dates, on which dates all unpaid principal of, redemption premium, if any, and interest on the maturing Series 2022 Bonds shall be due and payable. Interest on the Series 2022 Bonds shall be computed on the basis of a 360-day year consisting of twelve 30-day months.



Interest on any Series 2022 Bond shall be computed from the Interest Payment Date to which interest has been paid or duly provided for next preceding the date of authentication thereof, unless (a) such date of authentication shall be prior to the first Interest Payment Date, in which case interest shall be computed from the Date of Delivery of such Series 2022 Bond or (b) such date of authentication shall be an Interest Payment Date to which interest on such Series 2022 Bond has been paid in full or duly provided for, in which case interest shall be computed from such date of authentication; provided, that if the Board is in default as to the payment of interest on any Series 2022 Bond, the Series 2022 Bond or Series 2022 Bonds issued in exchange for such Series 2022 Bond surrendered for transfer or exchange shall bear interest from the last date to which interest has been paid in full or duly provided for on such Series 2022 Bond or, if no interest has been paid or duly provided for on such Series 2022 Bond, from the Date of Delivery of such Series 2022 Bond. Interest accrued on any Series 2022 Bond shall be paid on each Interest Payment Date for the period from and including the date described in the preceding sentence to and including the day before such Interest Payment Date (whether such day is a Business Day).

The interest rate(s) on the Series 2022 Bonds will be as set forth in the Bond Purchase Agreement, the execution of which is authorized by this Fifth Supplemental Resolution.

SECTION 2.03. Redemption of Series 2022 Bonds.

(a) Optional Redemption. The Series 2022 Bonds may be subject to optional redemption by the Board, in whole or in part, prior to maturity at the price(s) and on the date(s) determined by an Authorized Representative and set forth in the Bond Purchase Agreement.

In addition, moneys constituting Prepayments or Sale Proceeds may, to the extent provided in Section 4.05 and Section 4.12 of the Master Resolution, be applied to redeem Series 2022 Bonds pursuant to this Section 2.03.

(b) Mandatory Sinking Fund Redemption. The Series 2022 Bonds may be subject to mandatory redemption prior to maturity at the price(s) and on the date(s) determined by an Authorized Representative and set forth in the Bond Purchase Agreement.

At its option, to be exercised on or before the forty-fifth (45th) day immediately preceding any mandatory redemption date, the Board shall receive a credit against the mandatory sinking fund redemption requirement applicable to the Series 2022 Bonds that, prior to the mandatory redemption date, have been redeemed (other than through the operation of the mandatory sinking fund redemption requirements) or purchased by or delivered to the Agent for cancellation and cancelled by the Agent and not theretofore applied as a credit against any redemption obligation related to such the Series 2022 Bonds. Each Series 2022 Bond so purchased or delivered or previously redeemed shall be credited by the Agent at 100% of the principal amount thereof on the obligation of the Board on the mandatory redemption date or dates, in the manner as determined and submitted in writing by an Authorized Representative to the Agent, and the principal amount of the Series 2022 Bonds to be redeemed by operation of the mandatory sinking fund requirements shall be accordingly reduced. In the event that the Board intends to avail itself at any time of the foregoing provision, on or before the forty-fifth (45th) day immediately preceding such mandatory redemption date, the Agent shall be furnished with a certificate signed by an Authorized Representative, stating the extent to which the mandatory sinking fund redemption requirement will be offset through the application of such credit and deliver, or cause to be delivered to the Agent, the Series 2022 Bonds to be credited pursuant to such provision, if not previously delivered.

(c) Mandatory Redemption from Moneys in Portfolio Redemption Account. Subject to the limitations set forth below and the terms of the Master Resolution, the Series 2022 Bonds shall be subject to mandatory redemption prior to maturity, in whole or in part on any Business Day, at a redemption price equal to the principal amount of the Series 2022 Bonds to be redeemed plus accrued and unpaid interest thereon to the redemption date, to the extent there are Prepayments in the Portfolio Redemption Account and such Series 2022 Bonds have been selected for mandatory redemption in accordance with Section 4.05 of the Master Resolution.

Prior to the redemption of any Series 2022 Bonds using Unrelated Prepayments in the Portfolio Redemption Account, the Board shall obtain an opinion of Bond Counsel to the effect that such Unrelated SRF Prepayments may be used to redeem such Series 2022 Bonds without adversely affecting the excludability from gross income of interest payable on the Outstanding SRF Bonds, Subordinate Obligations and General Obligation Match Bonds.

To determine whether a Prepayment is attributable to a particular Series or Installment of SRF Bonds, Subordinate Obligations or General Obligation Match Bonds, the Board shall account for Prepayments in a manner that allows the Board to trace Prepayments deposited in the Portfolio Redemption Account to the specific series (or sub-series thereof) or installment of SRF Bonds, Subordinate Obligations or General Obligation Match Bonds to which they relate.

(d) Extraordinary Mandatory Redemption. In order to comply with the provisions of section 149(f) of the Code, from unencumbered proceeds on deposit in the CWSRF Bond Proceeds Subaccount or the DWSRF Bond Proceeds Subaccount, as the case may be, the Series 2022 Bonds shall be subject to extraordinary mandatory redemption, on any date which is not earlier than the final day of the One-Year Computation Period or the Three-Year Computation Period, as the case may be, in an amount equal to the Computation Amount applicable to the One-Year Computation Period or the Three-Year Computation Period, as the case may be, plus accrued interest to the date of such extraordinary mandatory redemption, together with a premium, if any, in the manner provided in the Form of Bond. The foregoing notwithstanding, the Series 2022 Bonds shall not be subject to such extraordinary mandatory redemption if the Board obtains an opinion of Bond Counsel 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 2022 Bonds from gross income for federal income tax purposes.

(e) Selection of Bonds to be Redeemed. If the Series 2022 Bonds are to be redeemed in part, an Authorized Representative shall determine the principal amount and the Maturity Date of such Series 2022 Bonds to be so redeemed. If less than all of the outstanding Series 2022 Bonds, having the same Maturity Date and bearing the same interest rate, shall be called for redemption, the Agent shall select such Series 2022 Bonds or portions thereof, having the same Maturity Date and bearing such interest rate, to be redeemed by lot in Authorized Denominations, unless ownership of such Series 2022 Bonds is then determined by a book-entry system, in which event the selection of the Series 2022 Bonds or portions thereof to be redeemed shall be made in accordance with arrangements among the Board, the Agent, and the Depository. If there shall be called for redemption a portion of the principal amount of a Series 2022 Bond, the Board shall execute and the Agent shall authenticate and deliver, upon surrender of such Series 2022 Bond, without charge to the holder thereof, in exchange for the unredeemed principal amount of such Series 2022 Bond, at the option of such Holder, Bonds in any Authorized Denomination.

(f) Optional Redemption may be Conditional. Notice of an optional redemption of Series 2022 Bonds as permitted by subsection (a) of this Section 2.03 may be made conditional upon the occurrence of conditions as may be determined by the Board and set forth in such notice. The Agent shall rescind such notice of the optional redemption of Series 2022 Bonds in accordance with this Section 2.03 in the event moneys available solely for such optional redemption in accordance with the requirements of this Section 2.03 and sufficient to pay the Series 2022 Bonds called for optional redemption and accrued interest thereon to the date fixed for redemption and the redemption premium, if any, shall not have been deposited with the Agent by the close of business on the fifth Business Day next preceding such optional redemption date.

SECTION 2.04. Notice of Redemption. Each notice of redemption of Series 2022 Bonds shall identify (i) by designation, letters, numbers or other distinguishing marks, the Series 2022 Bonds or portions of the principal amount thereof to be redeemed, (ii) the redemption price to be paid, (iii) the date fixed for redemption and (iv) the place or places where the amounts due upon redemption are payable. The notice shall also state that from and after the redemption date those Series 2022 Bonds or portions thereof called for redemption shall cease to bear interest and shall no longer be considered outstanding if money for payment of the redemption price is held by the Agent as required by Section 2.05. Any notice of redemption may also provide that such notice is given subject to the occurrence of certain conditions precedent (including the deposit with the Agent of money sufficient for the payment of the redemption price of Series 2022 Bonds called for redemption).

Notice shall be given by the Agent on behalf of the Board by mailing a copy of the redemption notice by United States mail, first-class postage prepaid, not less than thirty-five (35) calendar days nor more than sixty (60) calendar days prior to the date fixed for any redemption, to the Holder of each such Series 2022 Bond subject to redemption in whole or in part at the Holder's address shown on the Register as of the close of business on the forty-fifth (45th) day (whether or not a Business Day) next preceding the date fixed for redemption. Failure to receive notice by mailing or any defect in such notice regarding any Series 2022 Bond shall not affect the validity of the proceedings for the redemption of any Series 2022 Bond. Notwithstanding the provisions of Sections 2.04 and 2.05, the Holders of the Series 2022 Bonds subject to redemption may waive the requirement for mailing notice of redemption.

The Agent shall also send notice of any redemption by United States mail, first-class postage prepaid, to the MSRB and the Depository at the same time that it sends notice of redemption to Holders. In undertaking the requirements of this paragraph, the Agent shall not incur any liability as a result of the failure to provide such notice to such institution or as a result of any defect therein and no defect in such action or any failure to take such action shall defeat the effectiveness of the foregoing redemption notice.

So long as all Series 2022 Bonds are held under a book-entry system by the Depository, notice of redemption shall be sent by the Agent only to the Depository or its nominee. Selection of book-entry interests in the Series 2022 Bonds called for redemption, and notice of redemption to the owners of Series 2022 Bonds called for redemption, is the responsibility of the Depository (or any successor securities depository) pursuant to its rules and procedures, and of its direct participants and indirect participants. Any failure of the Depository (or any successor securities depository) to advise any participant, or of any direct participant or any indirect participant to notify the owner of a book-entry interest, of any such notice and its content or effect shall not affect the validity of any proceedings for the redemption of any Series 2022 Bonds.

SECTION 2.05. Payment of Redeemed Bonds. Notice having been mailed in the manner provided in Section 2.04 (or waived as permitted by said Section), the Series 2022 Bonds and portions thereof called for redemption shall become due and payable on the redemption date, and upon presentation and surrender thereof at the place or places for payment specified in such notice, such Series 2022 Bonds shall be paid at the redemption price therefor.

If money for the redemption of the Series 2022 Bonds or the portions thereof to be redeemed, together with interest accrued thereon to the redemption date, is held by the Agent on the redemption date and if notice of redemption has been provided in accordance with the provisions of this Fifth Supplemental Resolution, then from and after the redemption date for such Series 2022 Bonds or the portions thereof called for redemption such Series 2022 Bonds shall cease to bear interest and shall no longer be considered to be outstanding hereunder. If money for the redemption of such Series 2022 Bonds shall not be so available on the redemption date, or notice shall not have been provided as aforesaid, the Series 2022 Bonds, or the portions thereof, shall continue to bear interest, until paid, at the rate or rates which shall be determined in accordance with this Fifth Supplemental Resolution.

All money deposited in any of the subaccounts created in Section 4.01 of this Fifth Supplemental Resolution and transferred to the Agent for the payment of the redemption price of particular Series 2022 Bonds shall be held in trust for the account of the Holders thereof and shall be paid to them, respectively, upon presentation and surrender of such Series 2022 Bonds.

SECTION 2.06. Execution; Special Obligation. The Series 2022 Bonds shall be executed on behalf of the Board by the manual or facsimile signature of the Authorized Signer and countersigned by the manual or facsimile signature of the Attestor and shall have impressed or imprinted thereon the corporate seal (or a facsimile thereof) of the Board.

In case the Authorized Signer or Attestor whose manual or facsimile signature shall appear on the Series 2022 Bonds shall cease to be such Authorized Signer or Attestor before the delivery of such Series 2022 Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes.

The Series 2022 Bonds, together with the Outstanding SRF Bonds, shall be special obligations of the Board payable solely from the Security for the SRF Bonds, in the manner provided in the Master Resolution and the Series 2022 Bonds. The Series 2022 Bonds and interest thereon shall not be deemed to constitute a debt or liability of the State or any Political Subdivision (other than the Board), and their issuance shall not, directly or indirectly or contingently, obligate the State or any Political Subdivision to levy any form of taxation therefore or make any appropriation for their payment. Nothing in the Series 2022 Bonds or in this Fifth Supplemental Resolution or the proceedings of the Board authorizing the issuance of the Series 2022 Bonds or in the SRF Act or the Bond Act shall be construed such that the issuance of the Series 2022 Bonds by the Board creates a debt of the State or any Political Subdivision within the meaning of any constitutional or statutory provision of the State. The Series 2022 Bonds shall never constitute general obligations of the Board within the meaning of any constitutional or statutory provision or limitation and shall never constitute or give rise to a pecuniary liability of the Board and its members, or any Authorized Representative.

Chapter 1208, Texas Government Code, applies to the issuance of the Series 2022 Bonds and the pledge of the Security granted by the Board under this Fifth Supplemental Resolution, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Series 2022 Bonds are outstanding and unpaid such that the pledge of Security granted

by the Board under this Fifth Supplemental Resolution is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Series 2022 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 Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, and enable a filing to perfect the security interest in said pledge to occur.

SECTION 2.07. Certificates of Registration and Authentication. No Series 2022 Bond shall be secured hereby or entitled to the benefit hereof or shall be or become valid or obligatory for any purpose unless there shall be endorsed thereon a registration certificate of the Comptroller or a certificate of authentication of the Agent, substantially in the form as set forth in the form of Series 2022 Bond referred to in Section 2.08 hereof, executed by the Comptroller or the Agent, as applicable; and either such certificate on any Series 2022 Bond issued by the Board shall be conclusive evidence and the only competent evidence that it has been duly authenticated and delivered hereunder.

SECTION 2.08. Form of Bonds. The Series 2022 Bonds, the Comptroller's registration certificate, the Agent's certificate of authentication and the form of assignment shall be in substantially the forms set forth in Exhibit B to this Fifth Supplemental Resolution, with such appropriate variations, omissions, substitutions and insertions as are permitted or required hereby or thereby or are required by law; and the Series 2022 Bonds may have such letters, numbers or other marks of identification and such legends and endorsements placed thereon as may be required to comply with any applicable laws or rules or regulations, or as may, consistent herewith, be determined by the officers of the Board executing the Series 2022 Bonds, as evidenced by their execution of the Series 2022 Bonds.

The Series 2022 Bonds shall be in either typewritten or printed form, as an Authorized Representative shall direct, provided that any expenses incurred in connection therewith shall be paid by the Board.

The form of the Series 2022 Bonds may be revised or completed to conform to the terms of the Bond Purchase Agreement, as determined by an Authorized Representative. The completed form of the Series 2022 Bonds shall be attached to the pricing certificate referred to in Section 2.01.

SECTION 2.09. Mutilated, Lost, Stolen or Destroyed Bonds. If any Series 2022 Bond is mutilated, lost, stolen or destroyed, the Board may execute and the Agent may authenticate and deliver a new Series 2022 Bond of the same Series, Maturity Date, principal amount and tenor in lieu of and in substitution for the Series 2022 Bond mutilated, lost, stolen or destroyed; provided, that there shall be first furnished to the Agent evidence satisfactory to it and the Board of the ownership of such Series 2022 Bond and of such loss, theft or destruction (or, in the case of a mutilated Series 2022 Bond, such mutilated Series 2022 Bond shall first be surrendered to the Agent), together with indemnity satisfactory to the Agent and the Board and compliance with such other reasonable regulations as the Board and the Agent may prescribe. Subject to the proviso set forth in the preceding sentence, if any such Series 2022 Bond shall have matured or a redemption date pertaining thereto shall have passed, instead of issuing a new Series 2022 Bond the Board may pay the same without surrender thereof. The Board and the Agent may require that the Holder of such Series 2022 Bond pay any costs, fees and expenses in connection with any replacement or substitution of a Series 2022 Bond pursuant to this Section.

SECTION 2.10. Exchangeability and Transfer of Bonds; Persons Treated as Owners. The Board hereby directs the Agent, which is hereby constituted and appointed the bond registrar for the Series 2022 Bonds, to keep the Register as provided herein.

Any Holder of a Series 2022 Bond, in person or by his or her duly authorized attorney, may transfer title to its Series 2022 Bond on the Register, upon surrender thereof at the principal office of the Agent, together with a written instrument of transfer (in substantially the form of assignment attached to the Series 2022 Bond) executed by the Holder or his duly authorized attorney, and upon surrender for registration of transfer of any Series 2022 Bond, the Board may execute and the Agent shall authenticate and deliver in the name of the transferee or transferees a new Series 2022 Bond or Series 2022 Bonds of the same Maturity Date, aggregate principal amount, interest rate and tenor as the Series 2022 Bond surrendered and of any Authorized Denomination.

Series 2022 Bonds may be exchanged upon surrender thereof at the designated office of the Agent with a written instrument of transfer satisfactory to the Agent executed by the Bondholder or such Bondholder's attorney duly authorized in writing, for Series 2022 Bonds of the same Maturity Date, aggregate principal amount, interest rate and tenor as the Series 2022 Bonds being exchanged and of any Authorized Denomination. The Board shall execute and the Agent shall authenticate and deliver Series 2022 Bonds which the Bondholder making the exchange is entitled to receive, bearing numbers not contemporaneously then outstanding.

Such registrations of transfers or exchanges of Series 2022 Bonds shall be without charge to the Holders of such Series 2022 Bonds, but any taxes or other governmental charges required to be paid with respect to such transfer or exchange shall be paid by the Holder requesting such registration of transfer or exchange as a condition precedent to the exercise of such privilege. Any service charge of the Agent for any such registration, transfer or exchange shall be paid by the Board.

The Agent shall not register any transfer of any Series 2022 Bond after notice calling such Series 2022 Bond (or portion thereof) for redemption or partial redemption has been given and prior to such redemption, except that, the unredeemed portion of any Series 2022 Bond to be redeemed in part may be transferred as herein provided.

The person in whose name any Series 2022 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of either principal, premium, if any, or interest shall be made only to or upon the order of the registered owner thereof or his duly authorized attorney, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2022 Bond to the extent of the sum or sums so paid.

All Series 2022 Bonds issued upon any transfer or exchange of Series 2022 Bonds shall be legal, valid and binding special obligations of the Board, evidencing the same debt, and entitled to the same security and benefits under this Fifth Supplemental Resolution, as the Series 2022 Bonds surrendered upon such transfer or exchange.

SECTION 2.11. Cancellation. All Series 2022 Bonds which have been surrendered to the Agent pursuant to Section 2.09 or 2.10 of this Fifth Supplemental Resolution, for the purpose of payment upon maturity or for redemption prior to maturity, shall be canceled and destroyed by the Agent and a certificate of destruction shall be delivered to the Board.

SECTION 2.12. Book-Entry Only System. Notwithstanding any provision of this Fifth Supplemental Resolution to the contrary, unless an Authorized Representative shall otherwise direct, all Series 2022 Bonds issued hereunder shall be registered in the name of Cede & Co., as nominee of the Depository, as registered owner of the Series 2022 Bonds, and held in the custody of the Depository; provided, that the initial Series 2022 Bonds, which are registered by the Comptroller of Public Accounts of the State (the “Comptroller”) in accordance with Section 2.07 of this Fifth Supplemental Resolution, shall be registered in the name determined by an Authorized Representative; and provided, further, that promptly following the registration of such Series 2022 Bonds by the Comptroller, such Series 2022 Bonds shall be surrendered to the Agent in exchange for Series 2022 Bonds having the Maturity Date, aggregate principal amount and tenor, registered and held in accordance with this Section 2.12 of this Fifth Supplemental Resolution. Beneficial owners of Series 2022 Bonds will not receive physical delivery of Series 2022 Bond certificates except as provided hereinafter. For so long as the Depository shall continue to serve as securities depository for the Series 2022 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 2022 Bonds is to receive, hold, or deliver any Series 2022 Bond certificate.

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

Replacement Series 2022 Bonds may be issued directly to beneficial owners of Series 2022 Bonds other than the Depository, or its nominee, but only in the event that: (i) the Depository determines not to continue to act as securities depository for the Series 2022 Bonds (which determination shall become effective no less than ninety (90) days after written notice to such effect is provided to the Board and the Agent); or (ii) an Authorized Representative has advised the Depository of its determination (which determination is conclusive as to the Depository and beneficial owners of the Series 2022 Bonds) that the Depository is incapable of discharging its duties as securities depository for the Series 2022 Bonds; or (iii) the Board has determined (which determination is conclusive as to the Depository and the beneficial owners of the Series 2022 Bonds) that the interests of the beneficial owners of the Series 2022 Bonds might be adversely affected if such book-entry only system of transfer is continued. Upon the occurrence of any of the foregoing events, the Board shall use its best efforts to attempt to locate another qualified securities depository. If the Board fails to locate another qualified securities depository to replace the Depository, the Board shall cause to be authenticated and delivered replacement Series 2022 Bonds, in certificated form, to the beneficial owners of the Series 2022 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 provision to notify the beneficial owners of Series 2022 Bonds of such determination by mailing an

appropriate notice to the Depository, it shall cause to be issued replacement Series 2022 Bonds in certificated form to the beneficial owners of the Series 2022 Bonds as shown on the records of the Depository provided to the Board.

Whenever the beneficial ownership of the Series 2022 Bonds is determined by a book-entry system at the Depository, (i) the requirements in this Fifth Supplemental Resolution of holding, delivering, or transferring Series 2022 Bonds shall be deemed modified to require the appropriate Person or entity to meet the requirements of the Depository as to registering or transferring the book-entry to produce the same effect and (ii) delivery of the Series 2022 Bonds will be in accordance with arrangements among the Board, the Agent and the Depository notwithstanding any provision of this Fifth Supplemental Resolution to the contrary.

The Agent and the Board, acting by and through an Authorized Representative, may enter into a Letter of Representations with the Depository to implement the book-entry only system of registration for the Series 2022 Bonds as described above, and all prior acts of the Authorized Representatives in this regard are hereby ratified and confirmed.

If at any time, the Depository ceases to hold the Series 2022 Bonds in book-entry form, all references herein to the Depository shall be of no further force or effect.

SECTION 2.13. Series 2022 Bonds Secured by Master Resolution. The Outstanding SRF Bonds, and the Series 2022 Bonds issued hereunder, are equally and ratably secured by a first lien on and pledge of the Security for the SRF Bonds and any other sources pledged to the payment of SRF Bonds pursuant to the Master Resolution without preference, priority or distinction on account of Series, or the actual time or times of the authentication, delivery or maturity of such Series 2022 Bonds so that all such Outstanding SRF Bonds and Series 2022 Bonds at any time outstanding hereunder shall have the same right, lien and preference under and by virtue of the Master Resolution and shall be equally and ratably secured hereby with like effect as if they had all been executed, authenticated and delivered simultaneously on the date hereof, whether the same, or any of them, shall actually be disposed of at such date, or whether they, or any of them, shall be disposed of at some future date; provided, that the use of Designated Pledged CWSRF Revenues and Designated Pledged DWSRF Revenues to pay debt service on the Outstanding SRF Bonds and the Series 2022 Bonds shall be consistent with the Federal Drinking Water Act and the regulations promulgated thereunder relating to the use of revenues in the cross collateralization of and between state revolving funds.

### ARTICLE III

#### ISSUANCE OF SERIES 2022 BONDS; USE OF PROCEEDS

##### SECTION 3.01. Issuance, Sale and Delivery of Series 2022 Bonds.

(a) As authorized by Chapter 1371, an Authorized Representative is hereby authorized, appointed, and designated to act on behalf of the Board in selling and delivering the Series 2022 Bonds and carrying out other procedures relating to the sale of the Series 2022 Bonds, including, without limitation, the issuance, sale and delivery of the Series 2022 Bonds in accordance with the terms and conditions set forth in the Bond Purchase Agreement.

An Authorized Representative, acting for and on behalf of the Board, shall (i) determine the date for issuance and sale of the Series 2022 Bonds, the purpose or purposes for which the Series 2022 Bonds may be issued and sold, and, subject to the limitations of Section 2.01, the



principal amount of Series 2022 Bonds to be issued and sold, (ii) approve, execute, and deliver the Bond Purchase Agreement (in substantially the form attached hereto as Exhibit C) with the Underwriters and (iii) set forth in the Bond Purchase Agreement, the price at which such Series 2022 Bonds shall be sold, the principal amortization schedule (including any mandatory sinking fund redemption requirements) for the Series 2022 Bonds, the interest rates for such Series 2022 Bonds, the redemption features for the Series 2022 Bonds, and other matters relating to the issuance, sale and delivery of the Series 2022 Bonds (including, without limitation, the series designation therefor and whether the Series 2022 Bonds are sold, in whole or in part, as tax-exempt obligations). The Authorized Representative's approval of the Bond Purchase Agreement shall be conclusively evidenced by his or her execution thereof. It is further provided, however, that notwithstanding the foregoing provisions, no Series 2022 Bond shall be delivered unless prior to delivery, (1) the Series 2022 Bonds have been rated by a Rating Agency in one of the four highest rating categories for long-term obligations, as required by Chapter 1371 and (2) the requirements of Section 2.04 of the Master Resolution have been satisfied.

A finding or determination made by an Authorized Representative acting under the authority delegated thereto by this Fifth Supplemental Resolution with respect to all matters relating to the sale of the Series 2022 Bonds shall have the same force and effect as a finding or determination made by the Board.

The selection and appointment of Piper Sandler & Co., to serve as the representative for the Underwriters is hereby confirmed. The Authorized Representatives, acting for and on behalf of the Board, shall select such additional investment banking firms, if any, as deemed appropriate to assure that the Series 2022 Bonds are sold on advantageous terms. The Authorized Representative shall determine the Underwriters' discount for the sale of the Series 2022 Bonds, upon the advice of the Board's financial advisor.

The Authorized Representatives of the Board are hereby severally authorized to take all actions, give such instructions and notices, execute such documents and make such certifications and determinations as are necessary or required by the Master Resolution, this Fifth Supplemental Resolution, and the Bond Purchase Agreement for the proper issuance, sale and delivery of the Series 2022 Bonds, and the consummation of the transactions contemplated hereby and thereby. The authority given to an Authorized Representative to execute a Bond Purchase Agreement expires at 5:00 p.m., Tuesday, April 11, 2023. Series 2022 Bonds sold pursuant to the terms of a Bond Purchase Agreement fully executed on or before 5:00 p.m., Tuesday, April 11, 2023, may be delivered to the Underwriters after April 11, 2023, in accordance with the terms of the Bond Purchase Agreement.

The Board hereby finds and determines that all representations and covenants set forth in the Master Resolution are true and correct as of the date of this Fifth Supplemental Resolution, and the Board ratifies and confirms such covenants and representations as if they were set forth herein.

(b) The Series 2022 Bonds are being issued for the purposes described in this Fifth Supplemental Resolution, consistent with the SRF Act and the Bond Act.

SECTION 3.02. Official Statement. The Official Statement prepared for distribution by the Underwriters to prospective purchasers of the Series 2022 Bonds in substantially the form attached hereto as Exhibit D is hereby approved, with such changes and completions as an Authorized Representative may deem necessary or appropriate. An Authorized Representative, acting for and on behalf of the Board, is hereby authorized and, to the extent required by the

terms of the Bond Purchase Agreement, directed to sign the final Official Statement relating to the Series 2022 Bonds. The use of a preliminary official statement in connection with the offering for sale of the Series 2022 Bonds is hereby ratified and approved.

SECTION 3.03. Use of Bond Proceeds. Proceeds from the sale of the Series 2022 Bonds shall be expended in accordance with the Bond Act and Section 2.04(c) of the Master Resolution, as set forth in a certificate executed by an Authorized Representative at the time of delivery of such Series 2022 Bonds.

## ARTICLE IV

### SUBACCOUNTS

#### SECTION 4.01. Establishment and Use of Subaccounts.

(a) Under the terms of the Master Resolution, the Board has established with the Comptroller the Senior Bond Interest and Sinking Account, and therein the Senior Interest Subaccount and the Senior Principal Subaccount. There is hereby created within the Senior Interest Subaccount separate subaccounts entitled the “Texas Water Development Board Clean Water State Revolving Fund Revenue Bonds Series 2022 Interest Subaccount” (the “CWSRF Series 2022 Interest Subaccount”) and the “Texas Water Development Board Drinking Water State Revolving Fund Revenue Bonds Series 2022 Interest Subaccount” (the “DWSRF Series 2022 Interest Subaccount”). There is hereby created within the Senior Principal Subaccount separate subaccounts entitled the “Texas Water Development Board Clean Water State Revolving Fund Revenue Bonds Series 2022 Principal Subaccount” (the “CWSRF Series 2022 Principal Subaccount”) and the “Texas Water Development Board Drinking Water State Revolving Fund Revenue Bonds Series 2022 Principal Subaccount” (the “DWSRF Series 2022 Principal Subaccount”).

(b) Money in each of the subaccounts created by subsection (a) of this Section 4.01 shall be transferred by the Board, consistent with the provisions of Section 4.10 of the Master Resolution, to the Agent, to be held in trust by the Agent for the holders of Series 2022 Bonds by the Agent and, except as otherwise provided herein, shall be used solely for the timely payment of the interest on the Series 2022 Bonds and for the timely payment of principal of and redemption premium, if any, on the Series 2022 Bonds upon maturity or upon mandatory or optional redemption (but, excluding redemption with money in the Portfolio Redemption Account).

(c) Designated Pledged CWSRF Revenues (1) shall be deposited to the credit of the CWSRF Series 2022 Interest Subaccount and used to pay interest on the Series 2022 Bonds issued to augment the CWSRF (including the provision of state matching funds) when due and payable and (2) shall be deposited to the credit of the CWSRF Series 2022 Principal Subaccount and used to pay principal of the Series 2022 Bonds issued to augment the CWSRF when due and payable; provided, the principal of and interest on CWSRF Match Bonds will be payable solely from Designated Pledged CWSRF Revenues which consist of Repayments that are interest (and not principal) and amounts received by the Board as income, profits or gain on investments.

(d) No later than the last Business Day of the month next preceding a Principal Payment or an Interest Payment Date on the Series 2022 Bonds, if an Authorized Representative determines that Designated Pledged CWSRF Revenues will not be sufficient to provide for the

payment in full of the principal of and interest on the Series 2022 Bonds issued to augment the CWSRF when due and payable, the Authorized Representative will take such action as is permitted in the Master Resolution and applicable federal law to transfer available Designated Pledged DWSRF Revenues for deposit to the credit of the CWSRF Series 2022 Interest Subaccount or to the credit of the CWSRF Series 2022 Principal Subaccount, as the case may be, to fund the deficiency and enable the timely payment of principal of and interest on such Series 2022 Bonds; provided, that no Designated Pledged DWSRF Revenues which consist of Repayments that constitute repayments of principal shall be used to pay debt service on CWSRF Match Bonds.

(e) Designated Pledged DWSRF Revenues (1) shall be deposited to the credit of the DWSRF Series 2022 Interest Subaccount and used to pay interest on the Series 2022 Bonds issued to augment the DWSRF (including the provision of state matching funds) when due and payable and (2) shall be deposited to the credit of the DWSRF Series 2022 Principal Subaccount and used to pay principal of the Series 2022 Bonds issued to augment the DWSRF when due and payable; provided, the principal of and interest on DWSRF Match Bonds will be payable solely from Designated Pledged DWSRF Revenues which consist of Repayments that are interest (and not principal) and amounts received by the Board as income, profits or gain on investments.

(f) No later than the last Business Day of the month next preceding a Principal Payment or an Interest Payment Date on the Series 2022 Bonds, if an Authorized Representative determines that Designated Pledged DWSRF Revenues will not be sufficient to provide for the payment in full of the principal of and interest on the Series 2022 Bonds issued to augment the DWSRF when due and payable, the Authorized Representative will take such action as is permitted in the Master Resolution and applicable federal law to transfer available Designated Pledged CWSRF Revenues for deposit to the credit of the DWSRF Series 2022 Interest Subaccount or to the credit of the DWSRF Series 2022 Principal Subaccount, as the case may be, to fund the deficiency and enable the timely payment of principal of and interest on such Series 2022 Bonds; provided, that no Designated Pledged CWSRF Revenues which consist of Repayments that constitute repayments of principal shall be used to pay debt service on DWSRF Match Bonds.

(g) On or before the first scheduled Interest Payment Date, and on or before each Interest Payment Date and Principal Payment Date thereafter while any Series 2022 Bond is outstanding and unpaid, the Board shall make available to the Agent from the subaccounts described above moneys sufficient to pay such interest on and such principal amount of the Series 2022 Bonds, as shall become due on such Interest Payment Dates and Principal Payment Dates.

SECTION 4.02. Discharge of the Master Resolution. Notwithstanding the fact that the lien of the Master Resolution upon the Security for the SRF Bonds may have been discharged and canceled in accordance with Sections 5.01 and 5.02 of the Master Resolution, the Master Resolution and the rights granted and duties imposed thereby, to the extent not inconsistent with the fact that the lien upon the Security for the SRF Bonds may have been discharged and canceled, shall nevertheless continue and subsist after payment in full of the Series 2022 Bonds until the Agent shall have returned to the Board all funds held by the Agent pursuant to Section 4.01 of this Fifth Supplemental Resolution.

SECTION 4.03. Records. The Board shall cause to be kept and maintained records pertaining to the accounts and subaccounts established herein and in the Master Resolution and all disbursements therefrom.

SECTION 4.04. Investment of Subaccounts. Cash held as part of the subaccounts created in Section 4.01 of this Fifth Supplemental Resolution shall be invested and reinvested by the Agent in Permitted Investments in accordance with the written instructions of an Authorized Representative; provided, that the Board covenants to assure that all investments shall be made in such manner that the money required to be expended from such funds will be available at the proper time or times; and provided, further, that any money held by the Agent to pay the principal of, premium, if any, or interest which has become payable with respect to the Series 2022 Bonds shall not be invested.

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

## ARTICLE V

### ADMINISTRATION OF THE FINANCING PROGRAM

SECTION 5.01. Agent. The selection and appointment of The Bank of New York Mellon Trust Company, N.A., to serve as the initial Agent is hereby confirmed. The Agency Agreement by and between the Board and said Agent, substantially in the form attached hereto as Exhibit E, is hereby approved. An Authorized Representative is hereby authorized and directed to execute such agreement for and on behalf of the Board, with such changes therein as such Authorized Representative may approve, such approval to be conclusively evidenced by his execution thereof. The Board shall appoint any succeeding Agent for the Series 2022 Bonds, subject to the conditions set forth in Section 5.03 hereof. The Agent shall designate to the Board its principal office for all purposes hereof and signify its acceptance of the duties imposed upon it hereunder by a written instrument of acceptance delivered to the Board under which the Agent will agree, particularly:

(a) to hold all sums held by it for the payment of the principal of, premium, if any, or interest on the Series 2022 Bonds in trust for the benefit of the holders of the Series 2022 Bonds as provided herein until such sums shall be paid to such holders of the Series 2022 Bonds or otherwise disposed of as herein provided;

(b) to authenticate and cancel Series 2022 Bonds as provided herein;

(c) to perform its obligations under Article II of this Fifth Supplemental Resolution;  
and

(d) to keep such books and records relating to its duties as Agent as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Board at all reasonable times.

The Board shall cause the necessary arrangements to be made and to be thereafter continued whereby: (i) funds derived from the sources specified in this Fifth Supplemental Resolution will be made available at the principal office of the Agent for the timely payment of principal, premium, if any, and interest on the Series 2022 Bonds; (ii) Series 2022 Bonds shall be made available for authentication, exchange and registration of transfer by the Agent at the principal office of the Agent; and (iii) the Agent shall be furnished such records and other information, at such times, as shall be required to enable the Agent to perform the duties and obligations imposed upon it hereunder.

No delivery of Series 2022 Bonds to the Agent or purchase of Series 2022 Bonds by the Agent shall constitute a redemption of Series 2022 Bonds or any extinguishments of the debt represented thereby.

The Agent shall be entitled to the rights and immunities under the Agency Agreement. Any fees and expenses of such agent shall be fees and expenses of the Agent pursuant to Section 5.02 of this Fifth Supplemental Resolution.

SECTION 5.02. Compensation and Indemnification of Agent. The Board shall (i) pay the Agent reasonable compensation (which, to the extent permitted by applicable law, shall not be limited by any law limiting the compensation of the trustee of an express trust), (ii) pay or reimburse the Agent upon request for all reasonable fees, expenses, disbursements and advances incurred or made in accordance with any of the provisions of this Fifth Supplemental Resolution (including the reasonable compensation and the expenses and disbursements of its Counsel and of all agents and other persons not regularly in its employ), except to the extent that any such expense, disbursement or advance is due to its own negligence or bad faith, and (iii) to the extent permitted by applicable law, indemnify the Agent for, and hold it harmless against, any loss, liability or expense incurred by it, arising out of or in connection with the acceptance or administration of this Fifth Supplemental Resolution or the performance of its duties hereunder, including the costs and expenses of defending itself against or investigating any claim of liability in the premises, except to the extent that any such loss, liability or expense was due to its own negligence or bad faith. The obligations of the Board under this Section 5.02 shall constitute, to the extent permitted by law, additional indebtedness hereunder and shall survive the satisfaction and discharge of this Fifth Supplemental Resolution. Such additional indebtedness shall be a senior claim to that of the Series 2022 Bonds upon all property and funds held or collected by the Agent as such, except funds held in trust for the benefit of the Holders of the Series 2022 Bonds and except for any arbitrage rebate fund or account established pursuant hereto or pursuant to an arbitrage regulatory agreement.

SECTION 5.03. Qualifications of Agent; Resignation; Removal.

(a) The Board covenants with the owners of the Series 2022 Bonds that at all times while the Series 2022 Bonds are outstanding the Board will provide a competent and legally qualified bank, trust company or other financial institution to act as and perform the services of Agent for the Series 2022 Bonds under this Fifth Supplemental Resolution. The Agent shall be a commercial bank or a trust company duly organized under the laws of the United States of America or any state or territory thereof, having a combined capital stock, surplus and undivided profits of at least \$50,000,000, having trust powers and authorized by law to perform all the duties imposed upon it by this Fifth Supplemental Resolution. Until otherwise designated in writing by the Agent to the Board, the principal office of the Agent for all purposes hereof shall be the office of the Agent identified in Section 8.03 at which all deliveries to the Agent

hereunder shall be made and any and all notices and other communications in connection herewith shall be delivered. The Agent may at any time resign and be discharged of the duties and obligations created by this Fifth Supplemental Resolution by giving at least sixty (60) days' notice to the Board. The Agent may be removed at any time, at the discretion of the Board, by an instrument, signed by an Authorized Representative, filed with such Agent. The resignation or removal of the Agent, as provided above, shall not be effective until a successor to the Agent has been appointed by the Board.

(b) In the event of the resignation or removal of the Agent, the Agent shall deliver any money and any Series 2022 Bonds and its related books and records held by it in such capacity to its successor.

SECTION 5.04. Instruments of Bondholders. Any instrument required by this Fifth Supplemental Resolution to be executed by Bondholders may be in any number of writings of similar tenor and may be executed by Bondholders in person or by agent appointed in writing. Proof of the execution of any such instrument or of the writing appointing any such agent and of the ownership of Series 2022 Bonds given in any of the following forms shall be sufficient for any of the purposes of this Fifth Supplemental Resolution: (i) a certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof; or (ii) a certificate executed by any trust company or bank stating that at the date thereof the party named therein did exhibit to an officer of such trust company or bank, as the property of such party, the Series 2022 Bonds therein mentioned.

The Agent may rely on such an instrument of Bondholders unless and until the Agent receives notice in the form specified in clause (i) or (ii) above that the original such instrument is no longer reliable. In the event that the Agent shall receive conflicting directions from two or more groups of Bondholders, each with combined holdings of not less than 25% of the principal amount of outstanding Series 2022 Bonds, the directions given by the group of Bondholders which hold the largest percentage of Series 2022 Bonds shall be controlling and the Agent shall follow such directions to the extent required herein.

## ARTICLE VI

### FEDERAL INCOME TAX MATTERS

SECTION 6.01. Tax Exemption. The Board covenants that, except as provided in Section 6.02, it shall make such use of the proceeds of the Series 2022 Bonds, regulate investments of the proceeds thereof and take such other and further actions as may be required by sections 103 and 141 through 150, inclusive, of the Code, and all applicable temporary, proposed and final regulations and procedures promulgated thereunder or promulgated under the Internal Revenue Code of 1954, to the extent applicable to the Code (the "Regulations"), necessary to assure that interest on such Series 2022 Bonds is excludable from gross income for federal income tax purposes. Without limiting the generality of the foregoing covenant, the Board hereby covenants as follows:

(a) The Board will not use and will not permit the indirect use of the net proceeds of the Series 2022 Bonds (within the meaning of section 150(a)(3) of the Code) in a manner that would cause such Series 2022 Bonds to be classified as "private activity bonds" within the meaning of section 141(a) of the Code;

(b) The Board will not use and will not permit the indirect use of any proceeds of the Series 2022 Bonds or any other funds of the Board, or take or omit to take any action that would cause such Series 2022 Bonds to be "arbitrage bonds" within the meaning of section 148(a) of the Code. To that end, the Board will comply with all requirements of section 148 of the Code to the extent applicable to the Series 2022 Bonds, including but not limited to any requirement under section 148 of the Code that the yield on the investment of the proceeds of the Series 2022 Bonds and moneys pledged to the repayment of the Series 2022 Bonds be restricted to a yield which is not materially higher than the yield on the Series 2022 Bonds;

(c) The Board will take all necessary steps to comply with the requirement that excess amounts earned on the investment of the "gross proceeds" of the Series 2022 Bonds within the meaning of section 148(f)(6)(B) of the Code, if any, be rebated to the federal government, and specifically, the Board will (i) maintain records regarding the investment of the gross proceeds of the Series 2022 Bonds as may be required to calculate such excess amounts separately from records of amounts on deposit in the funds and accounts of the Board which are allocable to other bond issues of the Board or moneys which do not represent gross proceeds of any bonds of the Board, (ii) calculate, not less often than annually, the excess amounts, if any, earned from the investment of the gross proceeds of the Series 2022 Bonds and (iii) pay, not less often than every fifth (5th) anniversary date of the delivery of the Series 2022 Bonds, all amounts required to be rebated to the federal government;

(d) The Board will not cause or permit the Series 2022 Bonds to be treated as "federally guaranteed" obligations within the meaning of section 149(b) of the Code;

(e) The Board will refrain from using the proceeds of the Series 2022 Bonds or the proceeds of any prior bonds to pay debt service on another issue more than ninety (90) days after the date of issue of the Series 2022 Bonds in contravention of section 149(d) of the Code (relating to advance refundings); and

(f) The Board will timely file a statement with the federal government setting forth the information required pursuant to section 149(e) of the Code.

For purposes of clause (a) above, the Board understands that the term "proceeds" includes "disposition proceeds" as defined in the Regulations. All officers, employees and agents of the Board are authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the Board as of the date the Series 2022 Bonds are delivered, and, further to establish such guidelines and procedures as may be necessary to assure that the proceeds of all obligations purchased by the Board from Political Subdivisions are used and invested in a manner consistent with the Board's covenants in this Section and that the interest on all obligations purchased by the Board from Political Subdivisions will be and continue to be excludable from gross income under section 103 of the Code and that such obligations are not "private activity bonds" within the meaning of section 141(a) of the Code or that if such obligations are "private activity bonds", the purchase of such obligations will not cause such Series 2022 Bonds to become "private activity bonds" within the meaning of section 141(a) of

the Code. In complying with the foregoing covenants, the Board may rely from time to time upon an opinion issued by Bond Counsel to the effect that any action by the Board or reliance upon any interpretation of the Code or Regulations contained in such opinion will not cause interest on the Series 2022 Bonds to be includable in gross income for federal income tax purposes under existing law. The Political Subdivisions (or any "related party", within the meaning of Treas. Reg. §1.150-1) shall not pursuant to an arrangement, formal or informal, purchase or be required to purchase Series 2022 Bonds in an amount related to the amount of Political Subdivision Bonds, if any, to be acquired by the Board.

In order to facilitate compliance with clause (c) of this Section, a "Rebate Fund" is established for the sole benefit of the United States of America, and the Rebate 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.

Notwithstanding any other provision of this Fifth Supplemental Resolution, the Board's representations and obligations under the covenants and provisions of this Section 6.01 shall survive the defeasance and discharge of the Series 2022 Bonds for as long as such matters are relevant to the exclusion of interest on the Series 2022 Bonds from the gross income of the owners for federal income tax purposes.

SECTION 6.02. Taxable Obligations. Without regard to Section 6.01 hereof, an Authorized Representative, acting for and on behalf of the Board, shall designate those Series 2022 Bonds authorized to be sold pursuant to the terms of this Resolution that the Board does not intend to issue in a manner such that the Series 2022 Bonds would constitute obligations described in section 103 of the Code and all applicable temporary, proposed and final regulations and procedures promulgated thereunder or promulgated under the Internal Revenue Code of 1954, to the extent applicable to the Code.

## ARTICLE VII

### CONTINUING DISCLOSURE UNDERTAKING

SECTION 7.01. Annual Reports. The Board shall provide annually to the MSRB, within one hundred and ninety-five (195) days after the end of each Fiscal Year ending in or after the first Fiscal Year in which Series 2022 Bonds are issued, financial information and operating data with respect to the Board of the general type included in the final Official Statement authorized by Section 3.02 of this Resolution, being the information described in Exhibit F hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in Exhibit F hereto and (2) audited, if the Board commissions an audit of such statements and the audit is completed within twelve (12) months after the end of each Fiscal Year ending in or after 2022. If audited financial statements are not available at the end of the twelve-month period, then the Board will provide notice that the audited financial statements are not available, will provide unaudited financial statements by the end of the twelve-month period and will provide audited financial statements for the applicable fiscal year to the MSRB, when and if the audited financial statements become available.

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



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

SECTION 7.02. Disclosure Event Notices. 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 2022 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 2022 Bonds, or other events affecting the tax status of the Series 2022 Bonds;
7. Modifications to rights of holders of the Series 2022 Bonds, if material;
8. Series 2022 Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Series 2022 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;
14. Appointment of a successor Agent or change in name of the Agent, if material;
15. Incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

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 7.01 of this Fifth Supplemental Resolution by the time required by such Section.

As used in clause 12 above, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the Board in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if jurisdiction has been assumed by leaving the Board and officials or officers of the Board in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board.

As used in clauses 15 and 16 above, the term "Financial Obligation" means: (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii), however, the term Financial Obligation shall not include Municipal Securities as to which a final official statement has been provided to the MSRB consistent with the Rule; the term "Municipal Securities" means securities which are direct obligations of, or obligations guaranteed as to principal or interest by, a state or any political subdivision thereof, or any agency or instrumentality of a state or any political subdivision thereof, or any municipal corporate instrumentality of one or more states and any other Municipal Securities described by Section 3(a)(29) of the Securities Exchange Act of 1934, as the same may be amended from time to time; and the term "Obligated Person" means the Board.

SECTION 7.03. Limitations, Disclaimers, and Amendments. The Board shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the Board remains an "obligated person" with respect to the Series 2022 Bonds within the meaning of the Rule, except that the Board in any event will give the notice required by Section 7.02 of any Series 2022 Bond calls and defeasance that cause the Board to be no longer an "obligated person".

The provisions of this Article are for the sole benefit of the Holders and beneficial owners of the Series 2022 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 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 2022 Bonds at any future date.

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

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

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.

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

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, but only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Series 2022 Bonds in the primary offering of the Series 2022 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 any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding Series 2022 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 2022 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 7.01 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 2022 Bonds in the primary offering of the Series 2022 Bonds.

SECTION 7.04. Continuing Disclosure Undertaking of Significant Borrowers. The Board shall require each Significant Borrower to adopt an ordinance, order or resolution (a “Significant Borrower Undertaking”) pursuant to which each Significant Borrower must agree to provide annually to the MSRB financial information and operating data with respect to the Significant Borrower of the general type hereinafter described. For purposes of this Section, the term “Significant Borrower” includes (i) any Political Subdivision that is a Significant Borrower as of the date this Fifth Supplemental Resolution is adopted (an “Existing Significant Borrower”) and (ii) a Political Subdivision that, as a result of the Board’s future acquisition of its Political Subdivision Bonds, becomes a Significant Borrower (a “Future Significant Borrower”). Any Existing Significant Borrower must agree to provide, within one hundred and ninety-five (195) days after the end of each fiscal year thereof ending in or after the year the Political Subdivision became a Significant Borrower, financial information and operating data with respect thereto of the nature included in the final Official Statement authorized by this Fifth Supplemental Resolution, being the information described in Exhibit G hereto. Any financial statements so to be provided shall be prepared in accordance with the accounting principles described in Exhibit G hereto, or such other accounting principles as such Existing Significant Borrower may be required to employ from time to time pursuant to state law or regulation. Any Future Significant

Borrower must agree to provide, within one hundred and ninety-five (195) days after the end of each fiscal year thereof ending in or after the year the Political Subdivision became a Significant Borrower, financial information and operating data with respect thereto of the nature required by the Significant Borrower Undertaking. Any financial statements so to be provided shall be prepared in accordance with the accounting principles described in the Significant Borrower Undertaking, or such other accounting principles as such Significant Borrower may be required to employ from time to time pursuant to state law or regulation. In any case, if such Significant Borrower commissions an audit of such statements and the audit is completed within the period during which they must be provided, the financial statements to be provided shall be audited. If the audit of such financial statements is not complete within such period, then such Significant Borrower shall provide unaudited financial statements and thereafter audited financial statements for the applicable fiscal year to the Board, the MSRB, when and if the audit report on such statements become available.

If any Significant Borrower changes its fiscal year, it shall be the duty of such Significant Borrower, as required by its respective Significant Borrower Undertaking, to notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which such Significant Borrower otherwise would be required to provide financial information and operating data pursuant to this Section. 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.

Each Significant Borrower shall be obligated under its Significant Borrower Undertaking to observe and perform the covenants specified in this Section for so long as, but only for so long as, any Significant Borrower remains an “obligated person” with respect to the Series 2022 Bonds within the meaning of the Rule.

The provisions of this Section are for the sole benefit of the Holders and beneficial owners of the Series 2022 Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person.

No default by any Significant Borrower in observing or performing its obligations as described in this Section shall constitute a breach of or default under this Fifth Supplemental Resolution for purposes of any other provision of this Fifth Supplemental Resolution. Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of any Significant Borrower under federal and state securities laws.

Each Significant Borrower Undertaking shall provide that the nature of the undertaking therein may be amended by any Significant Borrower 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 any Significant Borrower, but only if (1) the undertaking, as so amended, would have permitted an underwriter to purchase or sell Series 2022 Bonds in the primary offering of the Series 2022 Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Fifth Supplemental Resolution that authorizes such an amendment) of the outstanding Series 2022 Bonds consent to such amendment or (b) a person that is unaffiliated with any Significant Borrower (such as nationally

recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Series 2022 Bonds. If any Significant Borrower so amends its respective Significant Borrower Undertaking, it shall include with any amended financial information or operating data next provided in accordance with this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided.

If the Board is unable, through no fault of its own, to obtain a Significant Borrower Undertaking from any Political Subdivision which currently has Political Subdivision Bonds held in either the CWSRF Portfolio Account or the DWSRF Portfolio Account and which subsequent hereto becomes a Significant Borrower, the Board shall use its best efforts to obtain relevant financial information and operating data with respect to any such Significant Borrower and to provide the same annually to the MSRB within one hundred and ninety-five (195) days after the end of each fiscal year of any such Significant Borrower ending in or after the fiscal year in which such Political Subdivision became a Significant Borrower.

## ARTICLE VIII

### MISCELLANEOUS

SECTION 8.01. Amendment. This Fifth Supplemental Resolution may be amended in the same manner, for the same purposes and subject to the same limitations as set forth in Article VII of the Master Resolution for amendment of the Master Resolution; provided, however, that with regard to any amendment of this Fifth Supplemental Resolution requiring either the affirmation of the Rating Agencies or consent of the Bondholders, the only affirmation or consent that shall be required is that of the Rating Agencies then rating the Series 2022 Bonds or the Bondholders of the Series 2022 Bonds, as the case may be.

SECTION 8.02. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Fifth Supplemental Resolution or the Series 2022 Bonds is intended or shall be construed to give to any Person other than the Holders of the Series 2022 Bonds any legal or equitable right, remedy or claim under or in respect to this Fifth Supplemental Resolution or any covenants, conditions and provisions herein contained, this Fifth Supplemental Resolution and all of the covenants, conditions and provisions herein being intended to be and being for the sole and exclusive benefit of the Holders of the Series 2022 Bonds.

SECTION 8.03. Notices.

(a) Except as otherwise provided herein, it shall be sufficient service or giving of any notice, request, complaint, demand or other paper if the same shall be duly mailed by registered or certified mail, postage prepaid, addressed as follows:

If to the Board:

Texas Water Development Board  
Stephen F. Austin Building  
1700 N. Congress, Suite 600  
Austin, Texas 78711-3231  
Attention: Executive Administrator  
Telephone: (512) 463-7850  
Telecopy: (512) 475-2053  
E-mail: [georgia.sanchez@twdb.texas.gov](mailto:georgia.sanchez@twdb.texas.gov)

If to the Agent:

At the address set forth in the Agency Agreement.

(b) The Board shall provide notice of the following to any Rating Agency then rating the Series 2022 Bonds affected thereby:

- (i) any change to the Master Resolution, the Trust Agreement or the Agency Agreement;
- (ii) any change of the Agent; and
- (iii) any redemption of all Series 2022 Bonds.

Such notice shall be given to the following Rating Agencies by United States mail, first-class postage prepaid, at the addresses set forth below unless written notice designating a different address is given to the Board:

If to Fitch:

Fitch Ratings  
33 Whitehall Street  
New York, NY 10004  
Attention: Public Finance

If to Moody's:

Moody's Investors Service, Inc.  
7 World Trade Center at  
250 Greenwich Street  
New York, NY 10007  
Attention: Public Finance Group

If to S&P:

S&P Global Ratings  
55 Water Street, 38th Floor  
New York, NY 10041  
Attention: Public Finance Structured Surveillance

SECTION 8.04. Payments Due on Non-Business Days. In any case where the date of maturity of interest on or premium, if any, or principal of the Series 2022 Bonds or the date fixed for redemption of any Series 2022 Bonds shall not be a Business Day, then payment of such interest, premium or principal need not be made on such date but shall be made on the next succeeding Business Day, with the same force and effect as if made on the date of maturity or the date fixed for redemption, and, in the case of such payment, no interest shall accrue for the period from and after such date.

SECTION 8.05. Severability. If any provision of this Fifth Supplemental Resolution is held to be in conflict with any applicable statute or rule of law or is otherwise held to be unenforceable for any reason whatsoever, such circumstances shall not have the effect of rendering the other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever.

The invalidity of any one or more phrases, sentences, clauses, or Sections of this Fifth Supplemental Resolution shall not affect the remaining portions of this Fifth Supplemental Resolution or any part thereof.

SECTION 8.06. Effective Date. This Fifth Supplemental Resolution shall become effective on the date (the "Effective Date") of its approval by the Board and the delivery of the Series 2022 Bonds to the Underwriters. From and after the Effective Date, all resolutions of, or other official actions by, the Board which in any manner or to any extent conflicts with any provision of this Fifth Supplemental Resolution shall be, and such other resolutions and actions are hereby, expressly repealed to the extent of such conflict.

SECTION 8.07. Governing Law. This Fifth Supplemental Resolution shall be governed by and interpreted in accordance with the laws of the State.

*[Execution Page Follows]*

PASSED AND APPROVED this 11th day of April, 2022.

TEXAS WATER DEVELOPMENT BOARD

By: \_\_\_\_\_  
Chairwoman

ATTEST:

\_\_\_\_\_  
Executive Administrator

(SEAL)



## EXHIBIT A

### DEFINITIONS

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

“Agent” means the paying agent appointed pursuant to Section 5.01 and serving in such capacities in accordance with this Fifth Supplemental Resolution; and “principal office” of the Agent means the office thereof designated in writing to the Board; provided, that the Agent may designate separate principal offices for all other Series of SRF Bonds issued under the Master Resolution.

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

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

“Bond Purchase Agreement” means the agreement in substantially the form attached hereto as Exhibit D, between the Board and the Underwriters (acting through their duly designated representative), relating to the sale of the Series 2022 Bonds to the Underwriters for the price and subject to the terms and conditions set forth therein.

“Bondholder”, “Holder” or “Holder of a SRF Bond” means (i) the record owner of any Bond shown on the Register and (ii) so long as the Bonds are registered in accordance with the provisions of Section 2.11 hereof, the Depository.

“Book-entry form” or “book-entry system” means, with respect to the Series 2022 Bonds, a form or system, as applicable, under which (i) the ownership of beneficial interests in Series 2022 Bonds may be transferred only through a book-entry and (ii) physical Series 2022 Bond certificates in fully registered form are registered only in the name of a Depository or its nominee as Holder, with the physical Series 2022 Bond certificates “immobilized” in the custody of the Depository or of the Agent on behalf of the Depository. The book-entry system is maintained by and is the responsibility of the Depository and not the Agent. The book-entry is the record that identifies, and records the transfer of the interests of, the owners of beneficial (book-entry) interests in the Series 2022 Bonds.

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

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

“Computation Amount” means the surplus proceeds (rounded to the next higher \$5,000 denomination) equal to the remainder of (i) thirty percent (30%) of the Net Proceeds less proceeds of the Series 2022 Bonds directly or indirectly used to make loans or grants to Political Subdivisions as of the last day of the One-Year Computation Period (but not less than zero) or (ii) ninety-five percent (95%) of the Net Proceeds less the proceeds of the Series 2022 Bonds

directly or indirectly used to make loans or grants to Political Subdivisions as of the last day of the Three-Year Computation Period (but not less than zero).

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

“CWSRF Match Bonds” means the principal amount of Series 2022 Bonds issued to provide matching funds for federal capitalization grants for the CWSRF, as certified to in writing by an Authorized Representative.

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

“Depository” means The Depository Trust Company (a limited purpose trust company), New York, New York (“DTC”), until any successor Depository shall have become such pursuant to the applicable provisions of the Master Resolution and, thereafter, “Depository” shall mean the successor Depository. Any Depository shall be a securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book-entry system to record ownership of beneficial interests in Series 2022 Bonds, and to effect transfer of Series 2022 Bonds, in book-entry form.

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

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

“DWSRF Match Bonds” means the principal amount of Series 2022 Bonds issued to provide matching funds for federal capitalization grants for the DWSRF, as certified to in writing by an Authorized Representative.

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

“First Supplemental Resolution” means the First Supplemental Resolution authorizing the issuance, sale and delivery of the Series 2018 Bonds, adopted by the Board on March 1, 2018, as the same may be amended or supplemented from time to time as permitted thereby.

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

“Fourth Supplemental Resolution” means the Fourth Supplemental Resolution authorizing the issuance, sale and delivery of the Series 2021 Bonds, adopted by the Board on September 9, 2021, as the same may be amended or supplemented from time to time as permitted thereby.

“Initial Bond” has the meaning set forth in Section 2.01 of this Fifth Supplemental Resolution.

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

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

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

“Maturity Date” means with respect to any Series 2022 Bond, the scheduled date or dates of final payment of such Series 2022 Bond, as so identified in the Bond Purchase Agreement.

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

“MSRB” means the Municipal Securities Rulemaking Board.

“Net Proceeds” means the amounts received from the sale of the Series 2022 Bonds less proceeds used to pay costs of issuance, including any underwriters’ compensation, proceeds used to pay interest on Series 2022 Bonds during all or any portion of the One-Year Computation Period or the Three-Year Computation Period, as the case may be, and proceeds deposited to a reasonably required reserve or replacement fund.

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

“Opinion of Bond Counsel” means any opinion of Bond Counsel and, as the context may require, any such opinion with respect to the excludability of interest on the Series 2022 Bonds, from gross income for federal income tax purposes and any other matters as required pursuant to this Fifth Supplemental Resolution. No such opinion delivered pursuant hereto shall be deemed unsatisfactory when required as a condition to any provision hereunder because such opinion states that interest on the Series 2022 Bonds which are the subject of the opinion is an item of tax preference or is includable in determining alternative minimum taxable income under the Code.

“Outstanding”, when used with reference to the Series 2022 Bonds at any date as of which the amount of outstanding Series 2022 Bonds is to be determined, means all Series 2022 Bonds which have been authenticated and delivered by the Agent hereunder, except:

- (a) Series 2022 Bonds canceled or delivered for cancellation at or prior to such date;

- (b) Series 2022 Bonds deemed to be paid in accordance with Section 5.02 of the Master Resolution;
- (c) Series 2022 Bonds in lieu of which others have been authenticated under Sections 2.09 and 2.10; and
- (d) For purposes of any consent, request, demand, authorization, direction, notice, waiver or other action to be taken by the holders of a specified percentage of outstanding Series 2022 Bonds hereunder, all Series 2022 Bonds held by or for the account of the Board, except that for purposes of any such consent, request, demand, authorization, direction, notice, waiver or action the Agent shall be obligated to consider as not being outstanding only Series 2022 Bonds known by the Agent by actual notice thereof to be so held.

“Outstanding SRF Bonds” means the Series 2018 Bonds, the Series 2019 Bonds, and the Series 2020 Bonds.

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

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

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

“Register” means the books kept and maintained by the Agent for the registration and transfer of Series 2022 Bonds pursuant to this Fifth Supplemental Resolution.

“Rule” means SEC Rule 15c2-12.

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

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

“Second Supplemental Resolution” means the Second Supplemental Resolution authorizing the issuance, sale and delivery of the Series 2019 Bonds, adopted by the Board on February 11, 2019, as the same may be amended or supplemented from time to time as permitted thereby.

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

“Series 2019 Bonds” means the SRF Bonds issued pursuant to the Second Supplemental Resolution.

“Series 2020 Bonds” means the SRF Bonds issued pursuant to the Third Supplemental Resolution.

“Series 2021 Bonds” means the SRF Bonds authorized to be issued pursuant to the Fourth Supplemental Resolution.

“Series 2022 Bonds” means the SRF Bonds authorized to be issued pursuant to this Fifth Supplemental Resolution.

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

“Third Supplemental Resolution” means the Third Supplemental Resolution authorizing the issuance, sale and delivery of the Series 2020 Bonds, adopted by the Board on April 9, 2020, as the same may be amended or supplemented from time to time as permitted hereby.

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

“Underwriters” means Piper Sandler & Co., together with other firms designated in the Bond Purchase Agreement, as the underwriters for the Series 2022 Bonds.

\* \* \*



Designated Payment/Transfer Office of the Agent is located are authorized by law or executive order to close, 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 close; and payment on such date shall 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 this bond is determined only by a book-entry at a securities depository for the Bonds (hereinafter defined), 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 an authorized series of bonds dated as of the Date of Delivery specified above, as designated in its title (hereinafter referred to as the “Bonds”), issued in the aggregate principal amount of \$ \_\_\_\_\_ for the purpose of (a) (i) providing \$ \_\_\_\_\_ for the State Water Pollution Control Revolving Fund (the “CWSRF”) to provide financial assistance to Political Subdivisions for construction of wastewater treatment works in accordance with the capitalization grant program established under the Federal Clean Water Act, (ii) providing \$ \_\_\_\_\_ for the Safe Drinking Water Revolving Fund (the “DWSRF”) to provide financial assistance to Political Subdivisions for construction of publicly owned and privately owned drinking water treatment works in accordance with the capitalization grant program established under the Federal Drinking Water Act, (iii) providing \$ \_\_\_\_\_ for state matching funds in support of the CWSRF in accordance with the capitalization grant program established under the Federal Clean Water Act, and (iv) providing \$ \_\_\_\_\_ for state matching funds in support of the DWSRF under the Federal Drinking Water Act and (b) providing funds to pay costs of issuance. The Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of Texas, including particularly the Bond Act and Chapter 1371, Texas Government Code, as amended, and pursuant to a Master Resolution of the Board, dated as of March 1, 2018 (the “Master Resolution”), and a Fifth Supplemental Resolution of the Board, dated as of April 11, 2022 (the “Fifth Supplemental Resolution”), authorizing and designating this series of Bonds. Terms used herein and not otherwise defined have the meanings given in the Supplemental Resolution.

THE BONDS are special obligations of the Board secured by and payable from all Pledged SRF Revenues; all Political Subdivision Bonds and Government Obligations held in the CWSRF Portfolio Account (except as provided in Section 8.03 of the Master Resolution), and all amounts in the CWSRF Revenue Account and the CWSRF Program Account pending disbursement thereof; all Political Subdivision Bonds and Government Obligations held in the DWSRF Portfolio Account (except as provided in Section 8.03 of the Master Resolution), and all amounts in the DWSRF Revenue Account and the DWSRF Program Account pending disbursement thereof; all amounts in the Operating Account created in the Master Resolution pending disbursement thereof; all amounts held in the Portfolio Redemption Account created in the Master Resolution; and all of the proceeds of the foregoing, including, without limitation, investments (the “Security for the Bonds”). The foregoing notwithstanding, to the extent permitted in the Fifth Supplemental Resolution, (A) Bonds issued for the purposes described in clauses (a)(i) and (a)(ii) of the preceding paragraph shall be payable from amounts held in the DWSRF Revenue Account and the DWSRF Program Account, to the extent that revenues held in the CWSRF Revenue Account and the CWSRF Program Account are not sufficient to pay the debt service due and owing on such Bonds on an interest payment date or a principal payment date and (B) Bonds issued for the purposes described in clauses (a)(iii) and (a)(iv) of the preceding paragraph shall be payable from amounts held in the CWSRF Revenue Account and the CWSRF Program Account, to the extent that revenues held in the DWSRF Revenue Account

and the DWSRF Program Account are not sufficient to pay the debt service due and owing on such Bonds on an interest payment date or a principal payment date.

ISSUANCE OF THE BONDS SHALL NOT, DIRECTLY OR INDIRECTLY OR CONTINGENTLY, OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY ANY FORM OF TAXATION THEREFORE OR MAKE ANY APPROPRIATION FOR THEIR PAYMENT. NOTHING IN THE BONDS OR IN THE MASTER RESOLUTION OR THE PROCEEDINGS OF THE BOARD AUTHORIZING THE ISSUANCE OF THE BONDS OR IN THE SRF ACT OR THE BOND ACT SHALL BE CONSTRUED SUCH THAT THE ISSUANCE OF THE BONDS BY THE BOARD CREATES A DEBT OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL OR STATUTORY LIMITATION. THE BONDS SHALL NEVER CONSTITUTE GENERAL OBLIGATIONS OF THE BOARD WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION.

THE BONDS are issuable as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. This bond, upon surrender hereof at the principal office of the Agent with a written instrument of transfer satisfactory to the Agent executed by the registered holder hereof or his attorney duly authorized in writing may, at the option of the registered holder hereof, be exchanged for Bonds of the same series, aggregate principal amount, maturity and tenor and of any Authorized Denomination. This bond is transferable as provided in the Supplemental Resolution, subject to certain limitations therein contained, only upon the Register kept by the Agent and only upon surrender of this bond for transfer at the principal office of the Agent, together with a written instrument of transfer (in substantially the form of assignment set forth hereon) executed by the registered holder hereof or his duly authorized attorney. Upon such surrender for registration of transfer, a new bond or bonds of the same series, aggregate principal amount, interest rate, maturity and tenor and of any Authorized Denomination(s) will be issued to the transferee in exchange therefor.

ANY SERVICE CHARGE made by the Agent for any such registration, transfer or exchange referred to above shall be paid by the Board. The Agent or the Board may require payment by the holder of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. The Agent shall not register any transfer of any bond after notice calling such bond (or portion thereof) for redemption or partial redemption has been given and prior to such redemption (except that the unredeemed portion of any Bond to be redeemed in part may be transferred in accordance with the Supplemental Resolution).

WHENEVER the beneficial ownership of this bond is determined by a book-entry at a securities depository for the 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.

THE PERSON in whose name this bond is registered shall be deemed and regarded as the absolute owner hereof for all purposes, and payment of or on account of either principal, premium, if any, or interest shall be made only to or upon the order of the registered owner hereof or his duly authorized attorney, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon this bond to the extent of the sum or sums so paid.



THE BOARD reserves the option of calling Bonds maturing on and after August 1, 203\_, for redemption prior to maturity, in whole or in part by lot, on August 1, 203\_, and on any date thereafter, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest thereon to the date of redemption. If fewer than all of the Bonds are called for redemption at any time, the maturities to be redeemed shall be selected by the Board, and the Bonds to be redeemed within any one maturity shall be selected by the Agent by lot (in such manner as the Agent may determine), in integral multiples of \$5,000; *provided*, that during any period in which ownership of the Bonds is determined only by a book-entry at a securities depository for the Bonds, if fewer than all of the 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 shall be selected in accordance with the arrangements between the Board and the securities depository.

THE BONDS shall be subject to extraordinary mandatory redemption prior to their scheduled maturities, on \_\_\_\_\_, 2023 (the "One-Year Extraordinary Mandatory Redemption"), in an amount equal to the Computation Amount applicable to the One-Year Computation Period, 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 Bonds so redeemed:

<b><u>Maturity</u></b>	<b><u>Redemption</u></b>	<b><u>Maturity</u></b>	<b><u>Redemption</u></b>
<b><u>August 1</u></b>	<b><u>Price (%)</u></b>	<b><u>August 1</u></b>	<b><u>Price (%)</u></b>

THE BONDS shall be subject to extraordinary mandatory redemption prior to their scheduled maturities, on \_\_\_\_\_, 202\_ (the "Three-Year Extraordinary Mandatory Redemption"), in an amount equal to the Computation Amount applicable to the Three-Year Computation Period, 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 Bonds so redeemed:

**Maturity**  
**August 1**

**Redemption**  
**Price (%)**

**Maturity**  
**August 1**

**Redemption**  
**Price (%)**

The foregoing notwithstanding, the Bonds shall not be subject to the Three-Year Extraordinary Mandatory Redemption if the Board obtains an opinion of nationally-recognized bond counsel to the effect that the failure by the Board to cause any such extraordinary mandatory redemption to occur 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 of Bonds and the Three-Year Extraordinary Mandatory Redemption of Bonds, the 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 Bonds in inverse order of maturity. The term "Pro-Rata Basis" means that the principal amount of Bonds of a particular maturity shall 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.

NOT LESS THAN thirty (30) calendar days nor more than forty-five (45) calendar days prior to the date fixed for any redemption, 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 Register maintained by the Agent as of the forty-fifth (45th) day (whether or not a Business Day) next preceding the date fixed for redemption. By the date fixed for any such redemption due provision shall be made by the Board with the Agent 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 Agent with amounts sufficient to effect on the date fixed for redemption the payment of the entire redemption price of the 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.

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 Agent out of the funds provided for such payment. The Agent shall record in the Register 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 Supplemental Resolution. The foregoing notwithstanding, registered owners of the Bonds subject to redemption may waive the requirement for mailing notice of redemption.

THIS BOND shall not be secured by or be entitled to any benefit under the Master Resolution or the Supplemental Resolution, or become valid or obligatory for any purpose, until the Agent's Certificate of Authentication or the registration certificate of the Comptroller of Public Accounts of the State (the "Comptroller") endorsed hereon shall have been executed by the Agent or the Comptroller, respectively.

IT IS HEREBY CERTIFIED AND COVENANTED that this bond has been duly and validly authorized, issued and delivered; that all acts, conditions and things required to exist, happen and be performed precedent to the execution and delivery of the Master Resolution and the Supplemental Resolution and the issuance of this bond and the series of which it is a part, do exist, have happened and have been timely performed in regular form and manner as required by law; and that the issuance of this bond and the series of which it forms a part does not exceed or violate any State constitutional or statutory limitation.

IN WITNESS WHEREOF, the Board has caused this bond to be duly executed in its name by the manual or facsimile signature of its Chairwoman and attested by the manual or facsimile signature of its Executive Administrator, and its official seal to be impressed or imprinted hereon.

TEXAS WATER DEVELOPMENT BOARD

By \_\_\_\_\_  
Chairwoman

ATTEST:

(SEAL)

\_\_\_\_\_  
Executive Administrator

[FORM OF AGENT'S CERTIFICATE OF AUTHENTICATION]

This bond is one of the bonds delivered pursuant to the within-mentioned Master Resolution and Fifth Supplemental Resolution.

Date of Authentication  
\_\_\_\_\_

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

\_\_\_\_\_  
Authorized Officer

\* \* \* \* \*

[FORM OF REGISTRATION CERTIFICATE OF  
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 that this Bond has this day been duly registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS MY HAND AND SEAL OF OFFICE at Austin, Texas this

\_\_\_\_\_  
Comptroller of Public Accounts of the State of Texas

[FORM OF ASSIGNMENT]

The following abbreviations, when used in the inscription on the face of this bond, shall be construed as though they were written out in full according to applicable laws or regulations;

TEN COM	– as tenants in common	_____ Custodian _____
TEN ENT	– as tenants by the entities	(Cust) _____ (Minor)
JT TEN	– as joint tenants with right of survivorship and not as tenants in common	under Uniform Gifts to Minors Act _____ (State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

\_\_\_\_\_  
Please Insert Social Security or  
Other Identifying Number of Assignee

\_\_\_\_\_  
(Print or type the name and address, including  
zip code of Assignee)

the within bond of the Texas Water Development Board and does hereby irrevocably constitute and appoint \_\_\_\_\_  
to transfer said bond on the books kept for registration thereof with full power of substitution in the premises.

Date: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_  
NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

\_\_\_\_\_  
NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular without alteration or enlargement or any change whatever.

The Initial Bond shall be in the form set forth above, except that the form of the single fully registered Initial Bond shall be modified as follows:

- (i) immediately under the name of the bond the headings "Interest Rate", "Maturity Date", "Date of Delivery" and "CUSIP NO." shall be omitted; and
- (ii) Paragraph one shall read as follows:

Registered Owner: Piper Sandler & Co.

Principal Amount: [to be filled in after pricing]

Date of Delivery: \_\_\_\_\_, 2022

THE TEXAS WATER DEVELOPMENT BOARD, an agency of the State of Texas (the "Board"), for value received, hereby promises to pay from the sources and as hereinafter provided to the Registered Owner shown above, or the registered assigns thereof, the Principal Amount hereinabove stated on August 1 in each of the years and in principal installments in accordance with the following schedule:

<u>Maturity</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>
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and to pay interest thereon from the Date of Delivery specified above, on February 1, 2023, and semiannually on each August 1 and February 1 thereafter to the maturity date specified above, or to the date of redemption prior to maturity, at the interest rates per annum specified above. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

**EXHIBIT C**

Form of Bond Purchase Agreement

**EXHIBIT D**

Form of Official Statement



**EXHIBIT E**

Form of Agency Agreement

## **EXHIBIT F**

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

The following information is referred to in Section 7.01 of this Fifth Supplemental 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 are the quantitative financial information and operating data pertaining to the Board included in the Official Statement in Table 1 – PROJECTED CASH FLOW COVERAGE UNDER THE MASTER RESOLUTION, and “Appendix D – Summary of Political Subdivision Bonds” and “Appendix G – Unaudited Financial Statements of the CWSRF and DWSRF” to the Official Statement relating to the Series 2022 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.

**EXHIBIT G**

**DESCRIPTION OF ANNUAL FINANCIAL INFORMATION  
OF EXISTING SIGNIFICANT BORROWERS**

[To be completed to conform to the final Official Statement if Existing Significant Borrowers, as defined in Section 7.04 of this Fifth Supplemental Resolution, are identified in the final Official Statement]

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 Official Statement is delivered in final form. Under no circumstances shall this 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 any such jurisdiction.

**PRELIMINARY OFFICIAL STATEMENT DATED MAY 26, 2022**

**NEW ISSUE – BOOK-ENTRY-ONLY**

**Ratings: Fitch: “ ”; S&P: “ ”**  
**(See “OTHER INFORMATION – Ratings”)**

*In the opinion of Bond Counsel, under existing law interest on the Series 2022 Bonds is excludable from gross income for federal income tax purposes and the Series 2022 Bonds are not “specified private activity bonds.” See “TAX MATTERS” for a discussion of the opinion of Bond Counsel.*



**§ \*  
TEXAS WATER DEVELOPMENT BOARD  
STATE REVOLVING FUND REVENUE BONDS,  
NEW SERIES 2022**

**Interest Accrual:** Date of Delivery (hereinafter defined)

**Due:** August 1, as shown on inside cover

The Texas Water Development Board (the “Board”) is issuing the State Revolving Fund Revenue Bonds, New Series 2022 (the “Series 2022 Bonds”) pursuant to a Master Resolution adopted on March 1, 2018 (the “Master Resolution”), and a Fifth Supplemental Resolution to the Master Resolution adopted by the Board on April 11, 2022 (the “Fifth Supplemental Resolution”). The Master Resolution and the Fifth Supplemental Resolution are collectively referred to herein as the “Resolution.” See “INTRODUCTION.” Defined terms used in this Official Statement shall have the meanings given in the Resolution. See “Appendix A – Related Definitions.”

Interest on the Series 2022 Bonds will accrue from the Date of Delivery at the rates of interest shown on the inside cover page hereof. Interest will be initially payable on February 1, 2023, and semiannually on each August 1 and February 1 thereafter until maturity or prior redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months, until maturity or prior redemption. The Series 2022 Bonds will be issued only as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof within a maturity.

The Board initially will issue the Series 2022 Bonds registered only in the name of Cede & Co., the nominee of DTC, pursuant to the book-entry-only system described in “Appendix H - Description of Book-Entry-Only System.” Principal and interest of the Series 2022 Bonds will be payable to Cede & Co., which will make distributions of the payments to the participating members of DTC for subsequent remittance to the Beneficial Owners (as defined in Appendix H). In the event the Series 2022 Bonds are not in the book-entry-only system, payment of principal of the Series 2022 Bonds will be made to the registered owners upon maturity or redemption prior to maturity only upon presentation and surrender of such Series 2022 Bonds at the Designated Payment/Transfer Office of The Bank of New York Mellon Trust Company, N.A., as initial Paying Agent/Registrar (the “Paying Agent/Registrar” or the “Agent”). As of the date hereof, the Designated Payment/Transfer Office of the Paying Agent/Registrar is its Dallas, Texas corporate trust office.

The security for the Series 2022 Bonds consists of (i) all Pledged SRF Revenues; (ii) all Political Subdivision Bonds and Government Obligations held in the CWSRF Portfolio Account (except as described in “Appendix F – Summary of Master Resolution and Fifth Supplemental Resolution – Release of Political Subdivision Bonds”), all amounts in the CWSRF Revenue Account and the CWSRF Program Account pending disbursement thereof; (iii) all Political Subdivision Bonds and Government Obligations held in the DWSRF Portfolio Account (except as described in “Appendix F – Summary of Master Resolution and Fifth Supplemental Resolution – Release of Political Subdivision Bonds”), all amounts in the DWSRF Revenue Account and the DWSRF Program Account pending disbursement thereof; (iv) all amounts in the Operating Account pending disbursement thereof; (v) all amounts held in the Portfolio Redemption Account; and (vi) all of the proceeds of the foregoing, including, without limitation, investments thereof (collectively, the “Security for the SRF Bonds”). See “THE SERIES 2022 BONDS – Security.” **The Series 2022 Bonds, the Outstanding SRF Bonds (as defined herein) and other obligations issued on a parity with the Series 2022 Bonds and the Outstanding SRF Bonds (collectively, the “SRF Bonds”) pursuant to the Master Resolution shall be equally and ratably secured by and payable from a first lien on and pledge of the Security for the SRF Bonds.**

The proceeds from the sale of the Series 2022 Bonds will be used to provide funds (1) to the CWSRF and the DWSRF to finance the acquisition of Political Subdivision Bonds, and meet State Match requirements (see “INTRODUCTION” and “Appendix B – State Revolving Funds – Federal Overview”) and (2) to pay the costs of issuance of the Series 2022 Bonds. The Series 2022 Bonds are subject to (i) optional redemption prior to their stated maturity, (ii) optional and mandatory redemption using Sale Proceeds and Prepayments and (iii) extraordinary mandatory redemption as described herein. See “THE SERIES 2022 BONDS - Redemption.”

**The Series 2022 Bonds are issued under authority of the laws of the State of Texas, including specifically Subchapter J, Chapter 15 and Subchapter I, Chapter 17, Texas Water Code, as amended, and Chapter 1371, Texas Government Code, as amended. The Series 2022 Bonds shall never constitute general obligations of the Board or the State of Texas within the meaning of any constitutional or statutory provision or limitation. Issuance of the Series 2022 Bonds shall not, directly, indirectly or contingently, obligate the State of Texas to levy any form of taxation therefor or make any appropriation for their payment. The Board has no taxing power.**

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

*The Series 2022 Bonds are offered for delivery when, as and if issued, and are subject to the approval of the Attorney General of the State of Texas and subject to the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Bond Counsel. Certain legal matters will be passed upon for the Board by Bracewell LLP, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Kassahn & Ortiz, P.C., San Antonio, Texas. It is expected that the Series 2022 Bonds will be delivered through the facilities of DTC on or about June 30, 2022 (the “Date of Delivery”).*

**PIPER SANDLER & CO.**

**JEFFERIES**

**MESIROW FINANCIAL, INC.  
BAIRD**

**MORGAN STANLEY**

\* Preliminary, subject to change.

**MATURITY SCHEDULE\***

**\$ \_\_\_\_\_ \***

**TEXAS WATER DEVELOPMENT BOARD  
STATE REVOLVING FUND REVENUE BONDS, NEW SERIES 2022**

**CUSIP Prefix: 882854<sup>(2)</sup>**

<u>Maturity</u> <u>( August 1 ) <sup>(1)</sup></u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Yield <sup>(3)</sup></u>	<u>CUSIP</u> <u>No. Suffix: <sup>(2)</sup></u>
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(Interest accrues from Date of Delivery)

<sup>(1)</sup> The Series 2022 Bonds maturing on or after **August 1, 20** are subject to optional redemption at the option of the Board, in whole or in part, prior to their stated maturity on **August 1, 20**, or any date thereafter, at a redemption price of par plus accrued interest thereon to the date of redemption. The Series 2022 Bonds are subject to optional and mandatory redemption using Sale Proceeds and Prepayments and extraordinary mandatory redemption as described herein. See “THE SERIES 2022 BONDS - Redemption.”

<sup>(2)</sup> 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 services provided by CUSIP. The Board, the Financial Advisor, and the Underwriters are not responsible for the selection or correctness of the CUSIP numbers set forth herein.

<sup>(3)</sup> The initial yields are established by the Underwriters and are subject to change.

\* Preliminary, subject to change.

**TEXAS WATER DEVELOPMENT BOARD**

**Members**

**Term Expiration**

Brooke T. Paup, Chairwoman  
Kathleen Jackson, Member  
Vacant

February 1, 2025  
February 1, 2023

**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**

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

**FINANCIAL ADVISOR**

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

**DISCLOSURE COUNSEL**

Bracewell LLP  
Houston Texas

**PAYING AGENT/REGISTRAR**

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

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

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended and in effect on the date hereof (the “Rule”), this document constitutes an Official Statement of the Board with respect to the Series 2022 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.

No dealer, broker, salesman or other person has been authorized by the Board or the Underwriters to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Board or the Underwriters. This Official Statement does not constitute an offer to sell, or a solicitation of an offer to buy, Series 2022 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such jurisdiction.

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

IN CONNECTION WITH THE OFFERING OF THE SERIES 2022 BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2022 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

NEITHER THE BOARD, ITS FINANCIAL ADVISOR NOR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY NEW YORK, NEW YORK, (“DTC”) OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN FURNISHED BY DTC. NEITHER THE BOARD NOR ITS FINANCIAL ADVISOR MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT UNDER THE CAPTION “OTHER INFORMATION – UNDERWRITING.”

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (“SEC”) NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SERIES 2022 BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

No registration statement relating to the Series 2022 Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon an exemption provided thereunder. The Series 2022 Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Series 2022 Bonds been registered or qualified under the securities laws of any other jurisdiction. The Board assumes no responsibility for registration or qualification for sale or other disposition of the Series 2022 Bonds under the securities laws of any jurisdiction in which the Series 2022 Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Series 2022 Bonds will not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

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## PRELIMINARY OFFICIAL STATEMENT

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### TEXAS WATER DEVELOPMENT BOARD STATE REVOLVING FUND REVENUE BONDS, NEW SERIES 2022

#### INTRODUCTION

This Official Statement, including the cover page, maturity schedule and the appendices hereto, sets forth certain information describing the Texas Water Development Board (the “Board”), certain programs of the Board including the State Water Pollution Control Revolving Fund, commonly referred to as the Clean Water State Revolving Fund (“CWSRF”) and the Safe Drinking Water State Revolving Fund, commonly referred to as the Drinking Water State Revolving Fund (“DWSRF,” and together with the CWSRF, the “State Revolving Funds” or the “SRFs”), and the proposed issuance by the Board of its State Revolving Fund Revenue Bonds, New Series 2022 (the “Series 2022 Bonds”). The Series 2022 Bonds are being issued pursuant to a Master Resolution adopted by the Board on March 1, 2018 (the “Master Resolution”), a Fifth Supplemental Resolution adopted by the Board on April 11, 2022 (the “Fifth Supplemental Resolution”), and the terms of a bond purchase agreement pertaining to the sale of the Series 2022 Bonds (the “Bond Purchase Agreement”). Pursuant to authority conferred by the Fifth Supplemental Resolution, an Authorized Representative is authorized to act on behalf of the Board in selling and delivering the Series 2022 Bonds through the execution of the Bond Purchase Agreement. The Master Resolution and the Fifth Supplemental Resolution are sometimes hereinafter collectively referred to as the “Resolution.” The Outstanding SRF Bonds, the Series 2022 Bonds and any SRF Bonds hereafter issued are equally and ratably secured by and payable from a first lien on and pledge of the Security for the SRF Bonds. Unless otherwise defined herein, capitalized terms used in this Official Statement shall have the meaning given to such terms in the Master Resolution. See “Appendix A – Related Definitions.”

#### Master Resolution

The Master Resolution establishes a comprehensive financing program to accommodate the issuance or incurrence of different types of obligations that are secured by and payable from a first lien on and pledge of the Security for the SRF Bonds on a parity with the lien thereon that secures issues of notes and bonds, including the Series 2022 Bonds, from time to time issued or incurred under the Master Resolution. The Series 2022 Bonds are the fifth series of SRF Bonds issued under the Master Resolution. The Outstanding SRF Bonds are the New Series 2018 Bonds, issued in the original aggregate principal amount of \$288,395,000, the New Series 2019 Bonds, issued in the original aggregate principal amount of \$221,005,000, the New Series 2020 Bonds, issued in the original aggregate principal amount of \$352,590,000, and the New Series 2021 Bonds, issued in the original aggregate principal amount of \$386,155,000. The Series 2022 Bonds, the Outstanding SRF Bonds and any SRF Bonds hereafter issued are equally and ratably secured by and payable from a first lien on and pledge of the Security for the SRF Bonds. See “INTRODUCTION – Cross-Collateralization of State Revolving Funds,” and “THE SERIES 2022 BONDS – Security.” The Master Resolution also provides for and authorizes the Board to enter into Credit Enhancement Agreements in connection with the issuance of the SRF Bonds secured by a lien on and pledge of the Security for the SRF Bonds. See “STATE REVOLVING FUNDS” herein for a description of the outstanding obligations heretofore issued by the Board in support of the SRF financing program. Also see “INTRODUCTION – Cross-Collateralization of State Revolving Funds” herein.

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

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*\*Preliminary, subject to change.*

Brief descriptions of the Board, the Depository Trust Company, New York New York (“DTC”) and certain provisions of the Series 2022 Bonds, are included in this Official Statement. Descriptions of the Clean Water State Revolving Fund and Drinking Water State Revolving Fund are attached hereto as Appendix B. A description of the Board is attached hereto as Appendix C. A summary of the Political Subdivision Bonds (also referred to herein as “PSBs”) currently held in the CWSRF Portfolio Account and the DWSRF Portfolio Account is attached hereto as Appendix D. The form of the opinion of Bond Counsel is attached hereto as Appendix E. A summary of certain provisions of the Master Resolution and the Fifth Supplemental Resolution affecting the use and disposition of the Security for the SRF Bonds and certain other terms and procedures affecting the SRF Bonds, including the Series 2022 Bonds, is attached hereto as Appendix F. The Unaudited Financial Statements of the CWSRF and the DWSRF are attached hereto as Appendix G. A description of DTC and its Book-Entry-Only System is attached hereto as Appendix H. The descriptions, summaries and excerpts herein of the Master Resolution and Fifth Supplemental Resolution are qualified in their entirety by reference to such documents and are further qualified by reference to laws relating to or affecting generally the enforcement of creditors’ rights and principles of equity. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

### Cross-Collateralization of State Revolving Funds

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

Pursuant to the Master Resolution, the Board utilizes a combined financing program to provide funds to the CWSRF and the DWSRF in an efficient manner through the issuance of SRF Bonds. The cross-collateralization of money and other assets of the CWSRF and the DWSRF pursuant to the Master Resolution provides common security for the payment of debt service on such SRF Bonds. Cross-collateralization is permitted by the SRF Act and federal law. Money and other assets of the DWSRF will be available to pay debt service on SRF Bonds issued to augment the CWSRF, to the extent money and other assets of the CWSRF are not sufficient to pay debt service on SRF Bonds issued to augment the CWSRF. Money and other assets of the CWSRF will be available to pay debt service on SRF Bonds issued to augment the DWSRF, to the extent money and other assets of the DWSRF are not sufficient to pay debt service on SRF Bonds issued to augment the DWSRF.

The CWSRF is in its 35<sup>th</sup> year of operation. The DWSRF is in its 25<sup>th</sup> year of operation. For the period from inception of the State Revolving Funds through the quarter ending February 28, 2022, the Board has utilized the State Revolving Funds to provide financial assistance to Political Subdivisions within the CWSRF Portfolio Account and the DWSRF Portfolio Account as follows:

	CWSRF	DWSRF	Total
Total Funding Commitments Since Inception			
Currently Outstanding Pledged PSBs			
Number of Political Subdivisions with Pledged PSBs Outstanding			*

\* When aggregated, the total number of unique political subdivisions with either CWSRF or DWSRF outstanding bonds is approximately [REDACTED].

See “Appendix B – Information Regarding The Clean Water State Revolving Fund And The Drinking Water State Revolving Fund” for a more detailed discussion of the CWSRF and the DWSRF. The Board can give no assurances that the terms of any committed Political Subdivision Bonds to be purchased in the future will not change or that such Political Subdivision Bonds will ever be purchased. Additionally, the Board can give no assurances that any applications for funding which have not been approved by the Board will, in fact, be approved and funded in the amounts indicated.

### **The Series 2022 Bonds**

In the Fifth Supplemental Resolution, the Board authorized the issuance of the Series 2022 Bonds, in one or more series, in an aggregate principal amount not to exceed [§ ]. The Series 2022 Bonds are the fifth series of SRF Bonds issued under the terms of the Master Resolution. The Board has reserved the right in the Master Resolution to issue additional series of bonds, notes or other obligations or evidences of indebtedness on parity with the Series 2022 Bonds and the Outstanding SRF Bonds and to execute Credit Enhancement Agreements on parity with any Credit Enhancement Agreements relating to the Outstanding SRF Bonds. The Board currently has no present intention to enter into a Credit Enhancement Agreement in connection with the issuance of the Series 2022 Bonds. The Board has not entered into, and has no present intention of entering into, a Credit Enhancement Agreement in connection with the Outstanding SRF Bonds.

### **Texas Water Development Board**

The Board is an agency of the State and was created by constitutional amendment in 1957. Its mission is to lead the state’s efforts in ensuring a secure water future for Texas and its citizens. The Board is responsible for long-range water planning in the State. The Board is primarily responsible for the State’s financial programs associated with the water industry, including the establishment of policy for the financial programs.

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

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

See “Appendix C – Information Regarding the Texas Water Development Board” for a more detailed discussion of the Board and its history, organizational structure, board members and key staff members, financial assistance programs, and legislative oversight.

### **COVID-19**

A respiratory disease named "coronavirus disease 2019" ("COVID-19") has spread to many parts of the world and the United States, including Texas. *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.* The State’s February 2022 Bond Appendix 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 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.

The impact of COVID-19 continues to negatively affect certain travel, commerce, healthcare providers and financial markets. Due to the unprecedented nature of the spread of COVID-19, including variants of COVID-19, the duration and extent of the impact of COVID-19 on the Board and the Political Subdivisions that access Board programs cannot be quantified at this time.

To date, however, the Board’s operations and financial condition have not been materially impacted by COVID-19. 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.

The Security for the Series 2022 Bonds includes all Pledged SRF Revenues held under the Resolution consisting of, among other things, the Repayments paid over to or for the account of the Board by the Political Subdivisions under their respective Political Subdivision Bonds. The Board continually monitors the SRF Portfolio Accounts for delinquent accounts. To date, the Board is not aware of any payment defaults by the Political Subdivisions on any Political Subdivision Bonds purchased by the Board or on deposit in the SRF Portfolio Accounts. No assurance, however, can be given as to whether any payment defaults (including failure by Political Subdivisions to pay debt service on Political Subdivision Bonds) will occur in the future. The ability of the Political Subdivisions to make full and timely Repayments on their respective Political Subdivision Bonds is also dependent on various economic and financial circumstances unique to each Political Subdivision, all of which could be adversely impacted by COVID-19. See “APPENDIX B – Political Subdivision Bonds” herein.

## PLAN OF FINANCE

### Purpose

The Series 2022 Bonds are being issued (i) to provide funds to the CWSRF and the DWSRF to finance the acquisition of Political Subdivision Bonds, and meet State Match requirements and (ii) to pay the costs of issuance of the Series 2022 Bonds. See “Sources and Uses” below.

### Sources and Uses

The proceeds from the sale of the Series 2022 Bonds are estimated to be applied as set forth in the following table:

#### Sources of Funds

Par Amount .....	\$	-
[Net Original Issue Premium/Discount] .....		-
<b>Total Sources</b>	<b>\$</b>	<b>-</b>

#### Uses of Funds

Deposit for acquisition of Political Subdivision Bonds to CWSRF Bond Proceeds Subaccount .....	\$	-
Deposit for acquisition of Political Subdivision Bonds to DWSRF Bond Proceeds Subaccount .....		-
State Match funds for the CWSRF .....		-
State Match funds for the DWSRF .....		-
Underwriters’ Discount .....		-
Costs of Issuance .....		-
<b>Total Uses</b>	<b>\$</b>	<b>-</b>

Similar to deposits to the Bond Proceeds Subaccounts, the Board will use State Match funds to acquire Political Subdivision Bonds. In contrast to deposits to the Bond Proceeds Subaccounts, the Board will revolve State Match funds in perpetuity to acquire Political Subdivision Bonds.

## THE SERIES 2022 BONDS

### General

The Series 2022 Bonds are special obligations of the Board and are issued pursuant to the Resolution and the laws of the State of Texas, including Subchapter J of Chapter 15 of the Texas Water Code, as amended (the “SRF Act”), Subchapter I of Chapter 17 of the Texas Water Code, as amended (the “Bond Act”), and Chapter 1371, Texas Government Code, as amended. The Series 2022 Bonds shall never constitute general obligations of the Board or the State within the meaning of any constitutional or statutory provision or limitation.

The Series 2022 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiples thereof. Interest on the Series 2022 Bonds will accrue from the Date of Delivery at the respective rates shown on the inside cover page of this Official Statement, calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Series 2022 Bonds will be payable initially on February 1, 2023 and semiannually on each August 1 and February 1 thereafter (each an “Interest Payment Date”), until maturity or prior redemption. The Series 2022 Bonds will mature in the principal amounts and on the dates shown on the inside cover page of this Official Statement. The Series 2022 Bonds, when issued, will be registered in the name of Cede & Co., as nominee for DTC.

### Payment

As long as the Series 2022 Bonds are held in the book-entry-only system, payment on the Series 2022 Bonds will be made directly to DTC or its nominee, Cede & Co., by The Bank of New York Mellon Trust Company, N.A. (the “Agent”) in accordance with arrangements among the Board, the Agent and DTC. See “Appendix H – Description of Book-Entry-Only System.”

The principal and redemption price of the Series 2022 Bonds shall be payable, without exchange or collection charges, in lawful money of the United States of America, to the respective registered owners thereof upon presentation and surrender thereof at maturity or upon the date fixed for redemption prior to maturity at the office for payment of the Agent (the “Designated Payment/Transfer Office”). If the Series 2022 Bonds are not held in book-entry form, as described in “Appendix H - Description of Book-Entry-Only System,” interest on the Series 2022 Bonds shall be payable by the Agent on each Interest Payment Date, in lawful money of the United States of America, by check or draft dated as of such Interest Payment Date, sent by United States mail, first-class postage prepaid, to the respective owners thereof, at the address of each such registered owner as it appears in the Register on the Record Date (hereinafter defined) preceding each such Interest Payment Date. Any accrued interest due upon the redemption of any Series 2022 Bond prior to maturity as provided in the Fifth Supplemental Resolution shall be payable to the registered owner thereof at the Designated Payment/Transfer Office, upon presentation and surrender thereof for redemption and payment at the Designated Payment/Transfer Office. As of the date of this Official Statement, the Designated Payment/Transfer Office of the Agent is its Dallas, Texas office.

### Security

The security for the Series 2022 Bonds consists of (i) all Pledged SRF Revenues; (ii) all Political Subdivision Bonds and Government Obligations held in the CWSRF Portfolio Account (except as described in “Appendix F – Summary of Master Resolution and Fifth Supplemental Resolution – *Release of Political Subdivision Bonds*”), all amounts in the CWSRF Revenue Account and the CWSRF Program Account pending disbursement thereof; (iii) all Political Subdivision Bonds and Government Obligations held in the DWSRF Portfolio Account (except as described in “Appendix F – Summary of Master Resolution and Fifth Supplemental Resolution – *Release of Political Subdivision Bonds*”), all amounts in the DWSRF Revenue Account and the DWSRF Program Account pending disbursement thereof; (iv) all amounts in the Operating Account pending disbursement thereof; (v) all amounts held in the Portfolio Redemption Account; and (vi) all of the proceeds of the foregoing, including, without limitation, investments thereof (collectively the “Security for the SRF Bonds”). The Series 2022 Bonds, the Outstanding SRF Bonds and any SRF Bonds hereafter issued are equally and ratably secured by and payable from a first lien on and pledge of the Security for the SRF Bonds. See “INTRODUCTION – Cross-Collateralization of State Revolving Funds.” The foregoing notwithstanding, the principal of and interest on SRF Bonds issued to provide State Match funds will be payable ONLY from Repayments which consist of interest (and not principal) and amounts received by the Board as income, profits or gain on investments.

## **Matters Relating to Redemption and Prepayment**

Disposition of Sale Proceeds and Prepayments. The use and disposition of Sale Proceeds (including proceeds of the Outstanding SRF Bonds and the Series 2022 Bonds) and Prepayments (including proceeds of Prepayments of Political Subdivision Bonds relating to the Outstanding SRF Bonds and the Series 2022 Bonds) are governed by the Master Resolution and supplemental resolutions authorizing SRF Bonds (including the Series 2022 Bonds). See “Redemption – Optional Redemption Using Sale Proceeds and Prepayments and Mandatory Redemption Using Prepayments” below. Generally, Sale Proceeds and Prepayments must be (i) reinvested through the purchase of Political Subdivision Bonds or Government Obligations or (ii) used to redeem SRF Bonds (including the Series 2022 Bonds), subject to and in accordance with the Master Resolution and supplemental resolutions authorizing SRF Bonds (including the Fifth Supplemental Resolution adopted in connection with the sale of the Series 2022 Bonds).

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

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

## **Redemption**

Optional Redemption. The Series 2022 Bonds maturing on and after August 1, 20\_\_, will be subject to redemption prior to their stated maturities, at the option of the Board from available funds, in whole or in part on August 1, 20\_\_ or any day thereafter at a redemption price of par plus accrued interest to the date fixed for redemption. The maturity dates of the Series 2022 Bonds called for optional redemption prior to maturity shall be determined by the Board. See “Partial Redemption” for an explanation of the selection of Series 2022 Bonds in the event of partial redemption.

Subject to certain conditions, available funds may include Sale Proceeds or Prepayments derived from Political Subdivision Bonds and Government Obligations related to any series of Bonds or General Obligation Match Bonds as well as Sale Proceeds or Prepayments derived from Political Subdivision Bonds and Government Obligations related to the Series 2022 Bonds. See “Appendix A – Related Definitions – Master Resolution - *Sale Proceeds*.”

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

- Sale Proceeds or Prepayments may be applied to the redemption of SRF Bonds (including the Series 2022 Bonds) on or after the earliest practical redemption date to the extent that such SRF Bonds are subject to optional redemption without premium within ninety (90) days of receipt by the Board of such Sale Proceeds or Prepayments.
- The Series 2022 Bonds may be subject to mandatory redemption prior to maturity to the extent there are moneys in the Portfolio Redemption Account as a result of Prepayments not having been applied either (i) to the optional redemption of SRF Bonds (including the Series 2022 Bonds) in accordance with the preceding paragraph or (ii) within one hundred and eighty (180) days of receipt thereof to purchase

Political Subdivision Bonds or Government Obligations. The Board may not generate or create Sale Proceeds unless such Sale Proceeds are reinvested or applied to the optional redemption of SRF Bonds (including the Series 2022 Bonds). Therefore, Sale Proceeds shall not be used to mandatorily redeem SRF Bonds (including the Series 2022 Bonds). Such mandatory redemption of Series 2022 Bonds may be in whole or in part on any Business Day and at a redemption price equal to the principal amount of the Series 2022 Bonds to be redeemed plus accrued interest thereon to the redemption date.

Prior to the redemption of any SRF Bond using Prepayments derived from (i) Political Subdivision Bonds or Government Obligations related to a series or installment of SRF Bonds issued as tax-exempt obligations, other than the series or installment of SRF Bonds then being redeemed or (ii) Political Subdivision Bonds or Government Obligations related to General Obligation Match Bonds issued as tax-exempt obligations (collectively, “Unrelated SRF Prepayments”), the Board must obtain an opinion of Bond Counsel to the effect that such Unrelated SRF Prepayments may be used to redeem such SRF Bonds without adversely affecting the excludability from gross income of interest payable on the outstanding SRF Bonds and General Obligation Match Bonds to the extent such obligations were issued on a tax-exempt basis. See “Matters Relating to Redemption and Prepayment” above for information concerning certain redemption considerations that are expected to reduce the likelihood that the Series 2022 Bonds will be subject to mandatory redemption from Prepayments.

Extraordinary Mandatory Redemption of Series 2022 Bonds. Section 149(f) of the Internal Revenue Code of 1986 (the “Code”) imposes certain requirements on bonds issued by state and local governments for pooled financing programs, such as the Series 2022 Bonds, in order for the interest to be and remain exempt from federal income taxation. One such requirement mandates the redemption of bonds in circumstances in which the bond proceeds are not used to originate Political Subdivision Bonds within certain prescribed periods. In particular, section 149(f) of the Code requires the following: the issuer (i) must reasonably expect that, within the one-year period beginning on the date of issue, at least 30 percent of the net proceeds of the issue will be used directly or indirectly to originate Political Subdivision Bonds (the “One-Year Computation Period”); and (ii) must redeem outstanding bonds within 90 days after the end of such one-year period to the extent of, and in an amount equal to the unused proceeds, *i.e.*, the difference between the amount actually used and an amount equal to 30 percent of the net proceeds of the issue; and the issuer (i) must reasonably expect that within the three-year period beginning on the date of issue, at least 95 percent of the net proceeds of the issue will be used directly or indirectly to originate Political Subdivision Bonds (the “Three-Year Computation Period”); and (ii) must redeem outstanding bonds within 90 days after the end of such three-year period to the extent of, and in an amount equal to the unused proceeds, *i.e.*, the difference between the amount actually used and an amount equal to 95 percent of the net proceeds of the issue.

At the date of issuance of the Series 2022 Bonds, a portion of the Series 2022 Bond proceeds will be held by the Board and applied from time to time after the issuance of the Series 2022 Bonds to originate Political Subdivision Bonds for CWSRF or DWSRF financial assistance projects, or to reimburse the Board for Political Subdivision Bonds heretofore acquired to fund CWSRF financial assistance projects. See “PLAN OF FINANCE - Sources and Uses of Funds.” The Board reasonably expects to expend more than 30 percent and 95 percent of such proceeds, during the one-year and three-year periods, respectively. To comply with the foregoing requirement in the event these expectations are not achieved by the Board, the Series 2022 Bonds are subject to extraordinary mandatory redemption at the end of the one-year and three-year periods as required by section 149(f) of the Code. To the extent proceeds of the Series 2022 Bonds are held by the Board to originate Political Subdivision Bonds and are not expended within such one-year or three-year periods, any such unexpended proceeds will be used to redeem the Series 2022 Bonds as further described below. In accordance with section 149(f)(7) of the Code, only the portion of the proceeds of the Series 2022 Bonds that is reasonably expected, as of the issue date of the Series 2022 Bonds, to be used to originate Political Subdivision Bonds to Political Subdivisions is subject to the redemption requirements set forth in section 149(f) of the Code.

As described in the following table, proceeds of the Outstanding SRF Bonds have been used to make loans in accordance with the periods described in section 149(f) of the Code.



SRF Bond Issue <sup>1</sup>	Par Amount	Delivery Date	Attainment 1 year/30% Requirement	Days Since Delivery Date	Attainment 3 year/95% Requirement	Days Since Delivery Date
SRF Revenue Bonds, New Series 2018	\$ 288,395,000	4/26/2018	5/29/2018	33	12/1/2018	219
SRF Revenue Bonds, New Series 2019	\$ 221,005,000	4/24/2019	8/2/2019			
SRF Revenue Bonds, New Series 2020	\$ 352,590,000	6/2/2020	6/23/2020			
SRF Revenue Bonds, New Series 2021	\$ 386,155,000	11/4/2021	12/21/2021			

<sup>(1)</sup> SRF represents State Revolving Fund Revenue Bonds.

The Series 2022 Bonds maturing on and after August 1, [REDACTED], are subject to extraordinary mandatory redemption prior to their scheduled maturities on [REDACTED, REDACTED] (the “One-Year Extraordinary Mandatory Redemption”), in an amount equal to the Computation Amount (as hereinafter defined) applicable to the One-Year Computation Period for the Series 2022 Bonds, plus accrued interest to the date of such extraordinary redemption at the redemption prices set forth below (approximately [REDACTED]% of the accreted value or amortized issue price for each maturity of the Series 2022 Bonds), expressed as percentages of the principal amount of each maturity of the Series 2022 Bonds so redeemed. The Series 2022 Bonds maturing on and after August 1, [REDACTED], are subject to extraordinary mandatory redemption prior to their scheduled maturities on, [REDACTED, REDACTED] (the “Three-Year Extraordinary Mandatory Redemption”), in an amount equal to the Computation Amount applicable to the Three-Year Computation Period for the Series 2022 Bonds, plus accrued interest to the date of such extraordinary redemption at the redemption prices set forth below (approximately [REDACTED]% of the accreted value or amortized issue price for each maturity of the Series 2022 Bonds), expressed as percentages of the principal amount of each maturity of the Series 2022 Bonds so redeemed.

Extraordinary Mandatory Redemption Price (%)

CUSIP Prefix 882854

Maturity (August 1)      On \_\_\_\_\_, 2023      On \_\_\_\_\_, 2025      CUSIP Suffix

The Fifth Supplemental Resolution defines “Computation Amount” as surplus proceeds (rounded to the next higher \$5,000 denomination) equal to the remainder of (A) thirty percent (30%) of the Net Proceeds less proceeds of the Series 2022 Bonds directly or indirectly used to make loans or grants to Political Subdivisions as of the last day of the One-Year Computation Period (but not less than zero) or (B) ninety-five percent (95%) of the Net Proceeds less the proceeds of the Series 2022 Bonds directly or indirectly used to make loans or grants to Political Subdivisions as of the last day of the Three-Year Computation Period (but not less than zero). “Net Proceeds” is defined in the Fifth Supplemental Resolution to mean the amounts received from the sale of the Series 2022 Bonds less proceeds used to pay costs of issuance, including any underwriters’ compensation, proceeds used to pay interest on the Series 2022 Bonds during all or any portion of the One-Year Computation Period, or the Three-Year Computation Period, as the case may be, and proceeds deposited to a reasonably required reserve or replacement fund. The Board did not create, and has no present intention to create, a reserve fund for the Series 2022 Bonds, but does have the ability to create such a reserve fund in the future.

Following the earlier of (i) the 90th day after the Three-Year Computation Period for the Series 2022 Bonds and (ii) the date on which 95 percent of the proceeds of the Series 2022 Bonds have been used to originate Political Subdivision Bonds, if such date occurs prior to the end of the Three-Year Computation Period for the Series 2022 Bonds, the Series 2022 Bonds shall no longer be subject to extraordinary redemption.

The foregoing notwithstanding, the Series 2022 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 such Series 2022 Bonds from gross income for federal income tax purposes.

For purposes of the One-Year Extraordinary Mandatory Redemption and the Three-Year Extraordinary Mandatory Redemption, as the case may be, the Series 2022 Bonds that are subject to such redemption will be selected on a “Pro Rata Basis” (defined below); provided, that if any amount required to be redeemed remains after such selection, such remaining amount will be applied to the redemption of \$5,000 principal amount of each maturity of the Series 2022 Bonds in inverse order of maturity. The term “Pro Rata Basis” means that the principal amount of a particular maturity to be redeemed will be determined by multiplying the Computation Amount by the ratio which the principal amount of Series 2022 Bonds of such maturity then outstanding bears to the aggregate principal amount of Series 2022 Bonds then outstanding and subject to redemption.

Notice of Redemption. The Agent will mail a notice of redemption by United States mail, first-class postage prepaid, to the registered owners of all Series 2022 Bonds to be redeemed, at the address shown on the Register. Notice shall be given not less than 30 calendar days nor more than 60 calendar days prior to the redemption date. Each notice of redemption of the Series 2022 Bonds will identify the Series 2022 Bonds or portions thereof to be redeemed and will state, among other things, the redemption price, the redemption date, the place or places where the redemption price is payable and that on the redemption date such Series 2022 Bonds (or portions thereof) called for redemption will cease to bear interest (provided funds for the redemption of such Series 2022 Bonds are on deposit at the place of payment). Any notice of redemption may provide that such notice is given subject to the occurrence of certain conditions precedent, including the deposit with the Agent of money sufficient for the payment of the redemption price of the Series 2022 Bonds called for redemption. The failure of a Holder to receive notice by mailing or any defect in that notice regarding any Series 2022 Bond will not affect the validity of the proceedings for the redemption of the Series 2022 Bonds.

The Agent shall also send notice of any redemption by United States mail, first-class postage prepaid, to DTC at the same time that it sends notice of redemption to Holders. So long as all Series 2022 Bonds are held under a book-entry system by DTC, notice of redemption shall be sent by the Agent only to DTC or its nominee. Selection of book-entry interests in the Series 2022 Bonds called for redemption, and notice of redemption to the owners of Series 2022 Bonds called for redemption, is the responsibility of DTC (or any successor securities depository) pursuant to its rules and procedures, and of its participants and indirect participants. Any failure of DTC (or any successor securities depository) to advise any participant, or of any participant or any indirect participant to notify the owner of a book-entry interest, of any such notice and its content or effect shall not affect the validity of any proceedings for the redemption of any Series 2022 Bonds.

### **Partial Redemption**

If less than all of the Series 2022 Bonds within a maturity are called for redemption, the Series 2022 Bonds selected for redemption within such maturity shall be chosen by lot by the Agent (provided that a portion thereof may be redeemed only in an integral multiple of \$5,000 principal amount). During any period in which ownership of the Series 2022 Bonds is determined only by a book-entry at a securities depository for the Series 2022 Bonds, if less than all of the Series 2022 Bonds within a maturity are called for redemption, the particular Series 2022 Bonds selected for redemption within such maturity shall be selected in accordance with the arrangements between the Board, the Agent and DTC. See “Appendix H – Description Of Book-Entry-Only System.”

### **Registration, Transfer and Exchange**

The Bank of New York Mellon Trust Company, N.A. has been appointed to serve as initial Agent for the Series 2022 Bonds. In the Fifth Supplemental Resolution, the Board retains the right to replace the Agent. If the Board replaces the Agent, such Agent shall, promptly upon the appointment of a successor, deliver the Agent’s records to the successor Agent, and the successor Agent shall act in the same capacity as the previous Agent. Any successor Agent selected by the Board shall be a commercial bank or a trust company duly organized under the laws of the United States of America or any state or territory thereof, having a combined capital stock, surplus and undivided profits of at least \$50,000,000, having trust powers and authorized by law to perform all the duties imposed upon it by the Fifth Supplemental Resolution.

In the event the Book-Entry-Only System is discontinued, printed certificates will be delivered to the owners of the Series 2022 Bonds and thereafter the Series 2022 Bonds may be transferred, registered and assigned on the registration books only upon presentation and surrender of such printed certificates to the Agent, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Series 2022 Bond may be assigned by the execution of an assignment form on the Series 2022 Bonds or by other instrument of transfer and assignment acceptable to the Agent. A new Series 2022 Bond, or new Series 2022 Bonds, will be delivered by the Agent in lieu of the Series 2022 Bond being transferred or exchanged at the designated office of the Agent. New Series 2022 Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like kind and aggregate principal amount as the Series 2022 Bond or Series 2022 Bonds surrendered for exchange or transfer. See “Appendix H – Description Of Book-Entry-Only System” herein for a description of the system to be utilized initially in regard to the ownership and transferability of the Series 2022 Bonds.

The record date (“Record Date”) for the interest payable on any interest payment date for the Series 2022 Bonds means the close of business on the fifteenth day of the month next preceding such interest payment date.

Neither the Board nor the Agent shall be required to issue, transfer, or exchange any Series 2022 Bond, or any portion thereof called for redemption prior to maturity prior to its redemption date, provided, however, such limitation on transferability shall not be applicable to an exchange by the owner of the uncalled balance of a Series 2022 Bond.

If any Series 2022 Bond is mutilated, destroyed, stolen or lost, a new Series 2022 Bond in the same principal amount as the Series 2022 Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Series 2022 Bond, such new Series 2022 Bond will be delivered only upon surrender and cancellation of such mutilated Series 2022 Bond. In the case of any Series 2022 Bond issued in lieu of and in substitution for a Series 2022 Bond which has been destroyed, stolen or lost, such new Series 2022 Bond will be delivered only (a) upon filing with the Board and the Agent of satisfactory evidence to the effect that such Series 2022 Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the Board and the Agent with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Series 2022 Bond must pay such expenses as the Agent may incur in connection therewith.

### **Limitation on Remedies**

The enforceability of the rights and remedies of the owners of the Series 2022 Bonds (either against the Board or against the Political Subdivisions as issuers of, or obligors under, their Political Subdivision Bonds), and the obligations incurred by (a) the Board in issuing the Series 2022 Bonds and (b) the Political Subdivisions in issuing or entering into their Political Subdivision Bonds, are subject to the following: the federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the United States Constitution; and the reasonable and necessary exercise, in certain unusual situations, of the police power inherent in the State and its governmental subdivisions in the interest of serving a legitimate and significant public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Beneficial Owners of the Series 2022 Bonds to judicial discretion and interpretation of their rights in bankruptcy and otherwise, and consequently may involve risks of delay, limitation or modification of their rights. Under current law, the owner of a Series 2022 Bond will be limited to the filing of a mandamus proceeding in any court of competent jurisdiction to enforce the covenants and obligations of the Master Resolution or the Fifth Supplemental Resolution. There is no acceleration of maturity of the Series 2022 Bonds in the event of default and, therefore, the remedy of mandamus may need to be relied on from year to year. (See APPENDIX F - Summary of Master Resolution and Fifth Supplemental Resolution - Events of Default and Remedies.)

### **Defeasance**

The Board has agreed not to use any Defeasance Obligations in connection with the future defeasance of Series 2022 Bonds other than those authorized by current State law. Those Defeasance Obligations eligible under current State law to defease obligations such as the Series 2022 Bonds are (1) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States, (2) noncallable

obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the Board, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and (3) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the Board, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent. See “Appendix A- Related Definitions- MASTER RESOLUTION”.

## STATE REVOLVING FUNDS

The Board provides financial assistance to Political Subdivisions by purchasing Political Subdivision Bonds issued for the purpose of planning, design, acquisition, and construction of wastewater treatment works, including stormwater and nonpoint source pollution control projects (in the context of the CWSRF program) and planning, design, acquisition, and construction of water system works, including the purchase of capacity and other systems (in the context of the DWSRF program), and other authorized purposes pursuant to the SRF Act, the Federal Clean Water Act and the Federal Drinking Water Act. The State has provided funding to establish the CWSRF and the DWSRF through the appropriation of State general revenues, the issuance of several series of the State’s general obligation bonds, the issuance of the Outstanding SRF Bonds pursuant to the Master Resolution, and the forthcoming issuance of the Series 2022 Bonds which are secured by a first lien on and pledge of the Security for the SRF Bonds on a parity with the Outstanding SRF Bonds. The State Revolving Funds are the principal means by which the Board carries out the financial assistance directives of the Federal Clean Water Act and the Federal Drinking Water Act.

Pursuant to the Trust Agreement, the CWSRF and the DWSRF, including all respective accounts and subaccounts thereof and all money and investments therein, are kept and held by the Comptroller outside the State Treasury, separate and apart from all other funds and accounts of the Comptroller, in escrow and in trust for and on behalf of the Board. The Comptroller, as custodian of the CWSRF and the DWSRF, is authorized to administer the CWSRF and the DWSRF solely and strictly as provided by the SRF Act, the Master Resolution, the Trust Agreement and the resolutions or other instruments adopted by the Board pursuant to which SRF Bonds or Subordinate Obligations are issued or pursuant to which a Credit Enhancement Agreement or a Subordinated Credit Agreement is provided. Legal title to money and investments in the CWSRF and the DWSRF is held by the Board unless or until paid from the CWSRF and the DWSRF. The Trust Agreement shall continue in effect month to month unless terminated by either the Board or the Texas Treasury Safekeeping Trust Company, acting on behalf of the Comptroller, upon thirty (30) days prior written notice with or without cause in the manner set forth in the Trust Agreement.

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

See “Appendix F - Summary Of Master Resolution And Fifth Supplemental Resolution” for a more complete description of matters affecting the investment of funds by the Board.

The following table describes the projected sources of revenues available to pay debt service, projected annual cash flow coverages, and a current and projected debt service schedule that pertains to the Outstanding SRF Bonds, the Series 2022 Bonds and the existing General Obligation Match Bonds (“GO State Match Bonds”). Table 1 below has been prepared by the Board as a forecast of the future operation of the State Revolving Fund and no assurances can be given that actual revenues will meet projections. In addition, no assurances can be given that future revenues for any fiscal year will continue to be received by the Board in amounts comparable to prior periods as set forth in the certificate regarding Designated Pledged SRF Revenues which is a condition to the issuance of the Series 2022 Bonds or additional SRF Bonds. See “Appendix F – Summary Of Master Resolution And Fifth Supplemental Resolution.” Future revenues may differ from historical revenues for a number of reasons including, but not limited to: (a) defaults by Political Subdivisions; (b) inability to reinvest the proceeds of maturing investments at a rate to provide sufficient revenues; (c) Prepayments by Political Subdivisions; and (d) increases in the interest rates on any variable rate obligations issued by the Board. See “Appendix B - Information Regarding The Clean Water State Revolving Fund And Drinking Water State Revolving Fund” for a more detailed discussion of the CWSRF and the DWSRF.

**TABLE 1 - PROJECTED CASH FLOW COVERAGE UNDER THE MASTER RESOLUTION \***

As of [\_\_\_\_\_], 2022

Master Resolution SRF Program									
Fiscal Year	SRF	New SRF	SRF Bond	New SRF Bond	SRF Debt	Excess Revenues Available for GO State Match	GO State Match	Total SRF Bond & GO State Match	Annual Excess
Ending	PSB Revenue <sup>1</sup>	PSB Revenue <sup>2</sup>	Debt Service <sup>3</sup>	Debt Service <sup>4</sup>	DSC <sup>5</sup>	Debt Service <sup>6</sup>	Debt Service <sup>7</sup>	Match DSC <sup>8</sup>	Revenue <sup>9</sup>
	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -		\$ -

\* Preliminary; subject to change.

(1) Represents pledged Political Subdivision Bond (PSB) revenue (excluding prepayments of principal) received from July 1st through June 30th.

(2) Debt service on Outstanding SRF Bonds.

(3) Represents debt service on General Obligation (GO) State Match Bonds issued by the TWDB, all or any portion of the proceeds of which are transferred to the CWSRF or the DWSRF in order to provide the required State Match of federal capitalization grants for the CWSRF or the DWSRF, respectively.

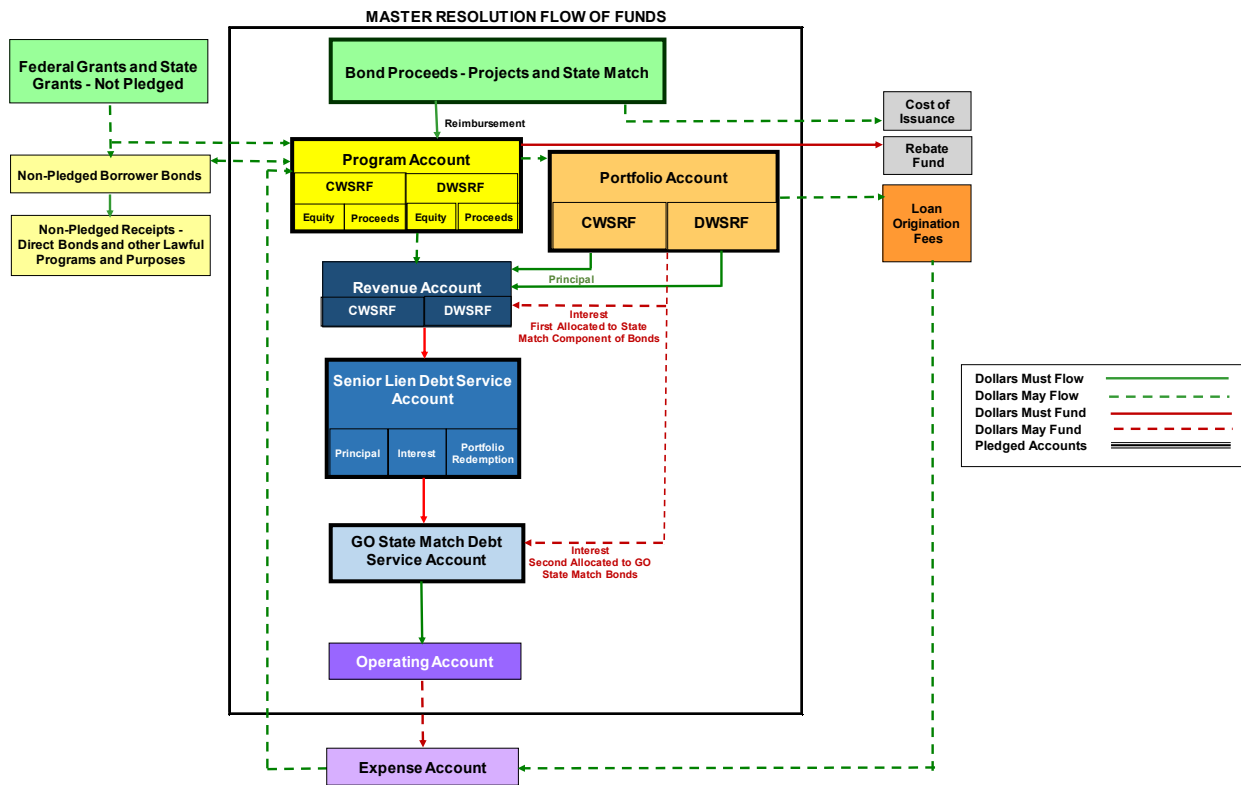
(4) Debt service coverage ratio of total pledged PSB (excluding prepayments of principal) revenue to total SRF Bond debt service and GO State Match Bond debt service.

(5) Represents excess revenue collected during the year after paying SRF Bond debt service and GO State Match Bond debt service.

## MASTER RESOLUTION FLOW OF FUNDS

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

By adopting the Master Resolution, the Board created a single, combined (cross-collateralized) financing program to provide funds for the CWSRF and the DWSRF in an efficient manner through the issuance of SRF Bonds. The cross-collateralization of money and other assets of the CWSRF and the DWSRF pursuant to the Master Resolution provides common security for the payment of debt service on such SRF Bonds. See “INTRODUCTION – Cross-Collateralization of State Revolving Funds.”



## LEGAL MATTERS

### Legal Opinions

The Board will furnish a complete transcript of proceedings incident to the authorization and issuance of the Series 2022 Bonds, including the approving legal opinion of the Attorney General of the State. Based upon an examination of such transcript of proceedings, McCall, Parkhurst & Horton L.L.P., (“Bond Counsel”) will render its approving legal opinion with respect to the Series 2022 Bonds. The proposed form of Bond Counsel’s opinion is set forth in Appendix E. Bond Counsel has not, except as hereinafter noted, assumed any responsibility with respect to this Official Statement or undertaken to verify any of the information contained herein, except that in its capacity as Bond Counsel, it has reviewed the information relating to the Series 2022 Bonds and the Resolution contained under the captions “PLAN OF FINANCE” (except for the subcaption “Sources and Uses”), “THE SERIES 2022 BONDS,” “MASTER RESOLUTION FLOW OF FUNDS,” and “CONTINUING DISCLOSURE OF INFORMATION” (except for the second paragraph under the subcaption “Continuing Disclosure Undertaking of Significant Borrowers”), the information contained in “Appendix A – Related Definitions,” and the information contained in “Appendix F - Summary Of Master Resolution And Fifth Supplemental Resolution” (except for the financial and statistical information contained under any such captions) and Bond Counsel is of the opinion that the statements and information contained therein are true and accurate in all material respects; further, Bond Counsel has reviewed the statements and information contained under the captions “LEGAL MATTERS” (except for the last two sentences of the first paragraph under the subcaption “Legal Opinions” and the subcaption “No Litigation”), and “TAX MATTERS” in this Official Statement to determine that the information contained under such captions is true and accurate in all materials respects. Certain legal matters will be passed upon for the Board by Bracewell LLP, Houston, Texas, Disclosure Counsel to the Board. Certain legal matters will be passed upon for the Underwriters by their counsel, Kassahn & Ortiz, P.C., San Antonio, Texas, whose legal fee is contingent on the sale and delivery of the Series 2022 Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Series 2022 Bonds express the professional judgment of the law firms rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, such law firms do not become an insurer or guarantor of the expressions of professional judgments, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of a legal opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

### No Litigation

There is no litigation or other governmental proceeding pending or, to the knowledge of the Board, threatened which seeks to prohibit, restrain or enjoin the issuance, execution and delivery of the Series 2022 Bonds or questions the validity or enforceability of the Series 2022 Bonds or any of the proceedings taken in connection with the issuance thereof.

The State is a party to various legal proceedings relating to its operations and governmental functions but unrelated to the Series 2022 Bonds or the security therefor.

### Eligibility for Investment in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Series 2022 Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other Political Subdivisions or public agencies of the State of Texas. With respect to investment in the Series 2022 Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Series 2022 Bonds be assigned a rating of not less than “A” or its equivalent as to investment quality by a nationally recognized investment rating firm. See “OTHER INFORMATION - Ratings” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Series 2022 Bonds are legal investments for state banks, savings banks, trust companies with a least \$1 million of capital, and savings and loan associations. The Series 2022 Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

No representation is made that the Series 2022 Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The Board has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Series 2022 Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Series 2022 Bonds for such purposes.

### **No Registration or Qualification of Series 2022 Bonds for Sale**

No registration statement relating to the Series 2022 Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions contained therein. The Series 2022 Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Series 2022 Bonds been registered or qualified under the securities laws of any other jurisdiction. The Board assumes no responsibility for registration or qualification of the Series 2022 Bonds under the securities laws of any jurisdiction in which the Series 2022 Bonds may be offered, sold or otherwise transferred.

## **TAX MATTERS**

### **Opinion**

On the date of initial delivery of the Series 2022 Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the Board, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Series 2022 Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the Series 2022 Bonds will not be treated as “specified private activity bonds,” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Series 2022 Bonds. See “Appendix E – Proposed Form Of Opinion Of Bond Counsel”.

In rendering its opinion, Bond Counsel will rely upon (a) the Board's federal tax certificate, and (b) covenants of the Board in the Fifth Supplemental Resolution with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Series 2022 Bonds and certain other matters. Failure of the Board to comply with these representations or covenants could cause the interest on the Series 2022 Bonds to become includable in gross income retroactively to the date of issuance of the Series 2022 Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Series 2022 Bonds in order for interest on the Series 2022 Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Series 2022 Bonds to be included in gross income retroactively to the date of issuance of the Series 2022 Bonds. The opinion of Bond Counsel is conditioned on compliance by the Board with the covenants and the requirements described in the preceding paragraph, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Series 2022 Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Series 2022 Bonds.

A ruling was not sought from the Internal Revenue Service by the Board with respect to the Series 2022 Bonds or the facilities financed or refinanced with the proceeds of the Series 2022 Bonds. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the Board that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Series 2022 Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal



Revenue Service is likely to treat the Board as the taxpayer and the holders of the Series 2022 Bonds may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

### **Federal Income Tax Accounting Treatment of Original Issue Discount**

The initial public offering price to be paid for one or more maturities of the Series 2022 Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Series 2022 Bonds may not be equal to the accrual period or be in excess of one year (the “Original Issue Discount Bonds”). In such event, the difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The “stated redemption price at maturity” means the sum of all payments to be made on the Series 2022 Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

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

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

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Series 2022 Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

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

### **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Series 2022 Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE SERIES 2022 BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Series 2022 Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Series 2022 Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such Series 2022 Bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

### **State, Local and Foreign Taxes**

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Series 2022 Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

### **Information Reporting and Backup Withholding**

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Series 2022 Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number (“TIN”), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient’s federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

### **Future and Proposed Legislation**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2022 Bonds under federal or State law and could affect the market price or marketability of the Series 2022 Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Series 2022 Bonds should consult their own tax advisors regarding the foregoing matters.

## **CONTINUING DISCLOSURE OF INFORMATION**

### **Continuing Disclosure Undertaking of the Board**

In the Fifth Supplemental Resolution, the Board has agreed to provide certain updated financial information and operating data annually and timely notice of certain events for the benefit of the owners of the Series 2022 Bonds. The Board is required to observe the agreement for so long as it remains obligated to advance funds to pay the Series 2022 Bonds. This information will be available from the Municipal Securities Rulemaking Board (the “MSRB”) through its Electric Municipal market Access (“EMMA”) system, accessible at <http://emma.msrb.org>.

## **Annual Reports**

The Board will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes Table 1 – PROJECTED CASH FLOW COVERAGE UNDER THE MASTER RESOLUTION, “Appendix D – Summary of Political Subdivision Bonds,” and “Appendix G – Unaudited Financial Statements of the CWSRF and DWSRF”. 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 that has been provided to the MSRB or filed with the SEC, as permitted by the Rule. The updated information will include audited financial statements, if the Board or the State, as appropriate, commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Board will provide unaudited financial statements within the required time and audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with generally accepted accounting principles for governmental entities or such other accounting principles as the Board may be required to employ from time to time pursuant to State law or regulation.

## **Notice of Certain Events**

The Board will notify the MSRB in a timely manner, not in excess of ten (10) Business Days (as defined in Appendix A) after the occurrence of any of the events listed below. The Board will provide notice of any of the following events with respect to the Series 2022 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 2022 Bonds, or other material events affecting the tax status of the Series 2022 Bonds; (7) modifications to rights of holders of the Series 2022 Bonds, if material; (8) Series 2022 Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2022 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; (14) the appointment of a successor agent or the change of name of the agent, if material; (15) incurrence of a Financial Obligation of the Board, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Board, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Board, any of which reflect financial difficulties. In addition, the Board will provide timely notice of any failure by the Board to provide information, data, or financial statements in accordance with its agreement described above under “CONTINUING DISCLOSURE OF INFORMATION – Annual Reports.”

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

As used in events numbered 15 and 16 above, the term “Financial Obligation” means: (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii), however, the term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

## **Continuing Disclosure Undertaking of Significant Borrowers**

The Board covenants to obtain from each Significant Borrower defined herein an agreement, whether by a resolution, order or ordinance adopted by such Significant Borrower, pursuant to which the Significant Borrower will provide certain updated annual financial information and operating data to the MSRB annually, such financial information and operating data relating to the enterprise fund of the Significant Borrower from which the Significant Borrower is obligated to make Repayments to the Board. For purposes of the aforesaid agreement, the term “Significant Borrower” shall mean any Political Subdivision whose outstanding aggregate principal amount of bonds issued by such Political Subdivision and held in the Portfolio Account as of the date of adoption of the Fifth Supplemental Resolution, comprises at least 20% in principal amount of all Political Subdivision Bonds held in the Portfolio Account.

As of the date of this Official Statement, there are no Significant Borrowers. No Political Subdivision is expected to become a Significant Borrower as a result of the acquisition of Political Subdivision Bonds by the Board with the proceeds of the Series 2022 Bonds.

## **Availability of Information**

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

## **Limitations and Amendments**

The Board has agreed to update information and to provide notices of certain events only as described above. The Board has not agreed to provide other information that may be relevant or material to a complete presentation of the Board’s financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Board makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Series 2022 Bonds at any future date. The Board disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to such agreement, although holders of Series 2022 Bonds may seek a writ of mandamus to compel the Board to comply with its agreements.

The Board may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Board if the agreement, as amended, would have permitted an underwriter to purchase or sell Series 2022 Bonds in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Series 2022 Bonds consent or any person unaffiliated with the Board (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Series 2022 Bonds. If the Board so amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

## **OTHER INFORMATION**

### **Ratings**

The Series 2022 Bonds are rated [“ ”] by Fitch Ratings, Inc. and [“ ”] by S&P Global Ratings, a division of S&P Global Inc., respectively, to the Series 2022 Bonds. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such rating companies and the Board and the Underwriters make no representation as to the appropriateness of the ratings. A securities rating is not a recommendation to buy, sell or hold securities. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies if, in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the Series 2022 Bonds.

## **Underwriting**

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2022 Bonds from the Board, at an underwriting discount of \$ \_\_\_\_\_. The Underwriters will be obligated to purchase all of the Series 2022 Bonds if any Series 2022 Bonds are purchased. The Series 2022 Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Series 2022 Bonds into investment trusts) at prices lower than the public offering prices of such Series 2022 Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following paragraphs for inclusion in this Official Statement:

Piper Sandler & Co., one of the underwriters of the Series 2022 Bonds, has entered into a distribution agreement (“Distribution Agreement”) with Charles Schwab & Co., Inc. (“CS&Co”) for the retail distribution of certain securities offerings including the Series 2022 Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Series 2022 Bonds from Piper at the original issue price less a negotiated portion of the selling concession applicable to any Series 2022 Bonds that CS&Co. sells.

Jefferies LLC (“Jefferies”), one of the Underwriters of the Series 2022 Bonds, has entered into a distribution agreement with InspereX LLC (“InspereX”) for the retail distribution of municipal securities. Pursuant to the agreement, if Jefferies sells Series 2022 Bonds to InspereX, it will share a portion of its selling concession compensation with InspereX.”

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Series 2022 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2022 Bonds.

Additionally, certain of the Underwriters may have entered into distribution agreements with other broker-dealers (that have not been designated by the Board as Underwriters) for the distribution of the Series 2022 Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Board, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Board, the State or the Political Subdivisions. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

## **Information Contained in Official Statement**

The financial and other information contained herein have been obtained from the Board’s records and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do

not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

### **Financial Advisor**

Hilltop Securities Inc. is employed as Financial Advisor to the Board in connection with the issuance of the Series 2022 Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2022 Bonds is contingent upon the issuance and delivery of the Series 2022 Bonds. Hilltop Securities Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2022 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

### **Forward Looking Statements**

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

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

### **Approval of Official Statement**

The Fifth Supplemental Resolution approves the form and content of this Official Statement, and authorizes its further use in the reoffering of the Series 2022 Bonds by the Underwriters. Questions regarding this Official Statement may be directed to Georgia Sanchez, Director, Debt and Portfolio Management and Development Fund Manager, Texas Water Development Board, 1700 North Congress Avenue, Austin, Texas 78701; Telephone: (512) 475-4584; Electronic Mail: [georgia.sanchez@twdb.texas.gov](mailto:georgia.sanchez@twdb.texas.gov).

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**APPENDIX A**  
**RELATED DEFINITIONS**



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## RELATED DEFINITIONS

### MASTER RESOLUTION

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

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

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

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

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

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

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

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

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

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

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

“Attestor” means the Executive Administrator of the Board.

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

“Authorized Signer” means the Chairman of the Board.

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

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

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

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

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

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

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

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

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

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

“Covered Debt” means all outstanding SRF Bonds.

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

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

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

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

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

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

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

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

“CWSRF Master Resolution” means the “Amended and Restated Master Resolution Authorizing a Financing Program (2013) to Provide Funds to the State Water Pollution Control Revolving Fund; Approving and Authorizing Texas Water Development Board State Revolving Fund Revenue Bonds to be Issued in Various Series and to be Sold and Delivered in Various Forms and in Installments; Providing for Credit Enhancement Agreements; Making Certain Covenants and Agreements in Connection Therewith; and Resolving Other Matters,” adopted by the Board on June 20, 2013, and as amended by the Board on March 1, 2018.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Effective Date” means March 1, 2018.

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

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

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

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

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

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

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

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

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

permitted under the terms of the related Supplemental Resolution, all for the purposes authorized under the Master Resolution.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) United States government securities;

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

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

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

(i) United States government securities;

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“State” means the State of Texas.

“SRF Bond” or “SRF Bonds” means bonds, notes or other obligations or evidences of indebtedness authorized to be issued in Series and Installments from time to time under the Master Resolution and that are secured

by security superior to the lien on and pledge of security granted to Subordinate Obligations. The CWSRF Bonds and the DWSRF Bonds are collectively referred to as SRF Bonds in the Master Resolution.

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

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

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

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

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

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

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

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

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

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

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

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

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

### **FIFTH SUPPLEMENTAL RESOLUTION**

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

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

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

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

“Bond Purchase Agreement” means the agreement in substantially the form attached to the Fifth Supplemental Resolution as Exhibit C, between the Board and the Underwriters (acting through their duly designated representative), relating to the sale of the Series 2022 Bonds to the Underwriters for the price and subject to the terms and conditions set forth therein.

“Bondholder,” “Holder” or “Holder of a SRF Bond” means (i) the record owner of any Series 2022 Bond shown on the Register and (ii) so long as the Series 2022 Bonds are registered in accordance with the provisions of the Fifth Supplemental Resolution, the Depository.

“Book-entry form” or “book-entry system” means, with respect to the Series 2022 Bonds, a form or system, as applicable, under which (i) the ownership of beneficial interests in Series 2022 Bonds may be transferred only through a book-entry and (ii) physical Series 2022 Bond certificates in fully registered form are registered only in the name of a Depository or its nominee as Holder, with the physical Series 2022 Bond certificates “immobilized” in the custody of the Depository or of the Agent on behalf of the Depository. The book-entry system is maintained by and is the responsibility of the Depository and not the Agent. The book-entry is the record that identifies, and records the transfer of the interests of, the owners of beneficial (book -entry) interests in the Series 2022 Bonds.

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

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

“Computation Amount” means the surplus proceeds (rounded to the next higher \$5,000 denomination) equal to the remainder of (i) thirty percent (30%) of the Net Proceeds less proceeds of the Series 2022 Bonds directly or indirectly used to make loans or grants to Political Subdivisions as of the last day of the One-Year Computation Period (but not less than zero) or (ii) ninety-five percent (95%) of the Net Proceeds less the proceeds of the Series 2022 Bonds directly or indirectly used to make loans or grants to Political Subdivisions as of the last day of the Three-Year Computation Period (but not less than zero).

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

“CWSRF Match Bonds” means the principal amount of Series 2022 Bonds issued to provide matching funds for federal capitalization grants for the CWSRF, as certified to in writing by an Authorized Representative.

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

“Depository” means The Depository Trust Company (a limited purpose trust company), New York, New York (“DTC”), until any successor Depository shall have become such pursuant to the applicable provisions of the Master Resolution and, thereafter, “Depository” shall mean the successor Depository. Any Depository shall be a securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book-entry system to record ownership of beneficial interests in Series 2022 Bonds, and to effect transfer of Series 2022 Bonds, in book-entry form.

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

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

“DWSRF Match Bonds” means the principal amount of Series 2022 Bonds issued to provide matching funds for federal capitalization grants for the DWSRF, as certified to in writing by an Authorized Representative.

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

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

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

“Fifth Supplemental Resolution” means the Fifth Supplemental Resolution authorizing the issuance, sale, and delivery of the Series 2022 Bonds, as the same may be amended or supplemented from time to time as permitted thereby.

“Fourth Supplemental Resolution” means the Fourth Supplemental Resolution authorizing the issuance, sale, and delivery of the Series 2021 Bonds, as the same may be amended or supplemented from time to time as permitted thereby.

“Fifth Supplemental Resolution” means the Fifth Supplemental Resolution authorizing the issuance, sale, and delivery of the Series 2022 Bonds, as the same may be amended or supplemented from time to time as permitted thereby.

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

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

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

“Maturity Date” means with respect to any Series 2022 Bond, the scheduled date or dates of final payment of such Series 2022 Bond, as so identified in the Bond Purchase Agreement.

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

“MSRB” means the Municipal Securities Rulemaking Board.

“Net Proceeds” means the amounts received from the sale of the Series 2022 Bonds less proceeds used to pay costs of issuance, including any underwriters’ compensation, proceeds used to pay interest on Series 2022 Bonds during all or any portion of the One-Year Computation Period or the Three-Year Computation Period, as the case may be, and proceeds deposited to a reasonably required reserve or replacement fund.

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

“Opinion of Bond Counsel” means any opinion of Bond Counsel and, as the context may require, any such opinion with respect to the excludability of interest on the Series 2022 Bonds, from gross income for federal income tax purposes and any other matters as required pursuant to the Fifth Supplemental Resolution. No such opinion delivered pursuant hereto shall be deemed unsatisfactory when required as a condition to any provision hereunder because such opinion states that interest on the Series 2022 Bonds which are the subject of the opinion is an item of tax preference or is includable in determining alternative minimum taxable income under the Code.

“Outstanding,” when used with reference to the Series 2022 Bonds at any date as of which the amount of outstanding Series 2022 Bonds is to be determined, means all Series 2022 Bonds which have been authenticated and delivered by the Agent hereunder, except:

- (a) Series 2022 Bonds canceled or delivered for cancellation at or prior to such date;
- (b) Series 2022 Bonds deemed to be paid in accordance with the Master Resolution;
- (c) Series 2022 Bonds in lieu of which others have been authenticated under Sections 2.09 and 2.10 of the Fifth Supplemental Resolution; and
- (d) For purposes of any consent, request, demand, authorization, direction, notice, waiver or other action to be taken by the holders of a specified percentage of outstanding Series 2022 Bonds under the Fifth Supplemental Resolution, all Series 2022 Bonds held by or for the account of the Board, except that for purposes of any such consent, request, demand, authorization, direction, notice, waiver or action the Agent shall be obligated to consider as not being outstanding only Series 2022 Bonds known by the Agent by actual notice thereof to be so held.

“Outstanding SRF Bonds” means the Series 2018 Bonds, the Series 2019 Bonds, the Series 2020 Bonds, and the Series 2021 Bonds.

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

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

“Record Date” means the close of business on the last Business Day of the month preceding an Interest Payment Date.

“Register” means the books kept and maintained by the Agent for the registration and transfer of Series 2022 Bonds pursuant to the Fifth Supplemental Resolution.

“Rule” means SEC Rule 15c2-12.

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

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

“Second Supplemental Resolution” means the Second Supplemental Resolution authorizing the issuance, sale and delivery of the Series 2019 Bonds, as the same may be amended or supplemented from time to time as permitted thereby.

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

“Series 2019 Bonds” means the SRF Bonds issued pursuant to the Second Supplemental Resolution.

“Series 2020 Bonds” means the SRF Bonds issued pursuant to the Third Supplemental Resolution.

“Series 2021 Bonds” means the SRF Bonds issued pursuant to the Fourth Supplemental Resolution.

“Series 2022 Bonds” means the SRF Bonds issued pursuant to the Fifth Supplemental Resolution.

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

“Third Supplemental Resolution” means the Third Supplemental Resolution authorizing the issuance, sale, and delivery of the Series 2020 Bonds, as the same may be amended or supplemented from time to time as permitted thereby.

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

“Underwriters” means Piper Sandler & Co. together with other firms designated in the Bond Purchase Agreement, as the underwriters for the Series 2022 Bonds.

**APPENDIX B**

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



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## STATE REVOLVING FUNDS

### Federal Overview

*Reminder: Add language about new Infrastructure Act and impact to TWDB.*

*Co-Mngrs Note: Please also add language related to Federal Omnibus Appropriations Bill and impact to TWDB, if any.*

### Federal Overview

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

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

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

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

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

*DWSRF Program.* In 1997, legislation was adopted in the State establishing a program to comply with the state revolving fund requirements set forth in the Federal Drinking Water Act. Subchapter J of Chapter 15 of the Texas Water Code was amended to establish the DWSRF to implement the 1996 amendments to the Federal Drinking Water Act. This legislation designates the Board as the state instrumentality to apply for and administer DWSRF Capitalization Grants that are available through the Federal Drinking Water Act. Projects which are eligible to be financed through the DWSRF are generally limited to drinking water system improvements and refinancing debt incurred for qualifying drinking water system improvements.

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

As of February 28, 2022, the Board has received the following Federal Capitalization Grants, including grant funds received under the American Recovery and Reinvestment Act of 2009, and funded the required State Match contributions:

	<u>CWSRF</u>	<u>DWSRF</u>	<u>Total</u>
Capitalized Grants, net of transfers	\$ 2,540,078,141	\$ 1,731,029,350	\$ 4,271,107,491
State Match	452,191,256	334,077,925	786,269,181
Total	<u>\$ 2,992,269,397</u>	<u>\$ 2,065,107,275</u>	<u>\$ 5,057,376,672</u>

	<u>CWSRF</u>	<u>DWSRF</u>	<u>Total</u>
Revenue Bonds Outstanding	\$ 691,970,000	\$ 495,205,000	\$ 1,187,175,000
GO State Match Bonds Outstanding	87,864,157	63,489,928	151,354,085
Total	<u>\$ 779,834,157</u>	<u>\$ 558,694,928</u>	<u>\$ 1,338,529,085</u>

### **Availability of Federal Capitalization Grants**

The federal government authorized appropriations for CWSRF Capitalization Grant funds in Federal Fiscal Years 1989 through 1994 under the Federal Clean Water Act to enable states to establish and capitalize their state revolving funds. Although appropriations under the Federal Clean Water Act expired in 1994, Congress has continued to appropriate funds for Federal Capitalization Grants through Federal Fiscal Year 2021 by means of budgetary appropriation. Congress has authorized appropriations for the DWSRF program from Federal Fiscal Years 2019 to 2022. [No assurances can be given that Congress will continue to appropriate funds for Federal Capitalization Grants after Federal Fiscal Year 2022 or that any such grants will be deposited into either the CWSRF or the DWSRF.] If federal financial support ceases, it is anticipated that state revolving funds such as the CWSRF and the DWSRF will be maintained by non-federal sources of funding including Repayments on Political Subdivision Bonds. Agreements with and Requirements of EPA

### ***Federal Capitalization Grant Agreements.***

In connection with the receipt of Federal Capitalization Grants, the Board has entered into a series of annual agreements with the EPA. The agreements set forth the objectives of the SRFs and any specific program requirements. The agreements also set forth the responsibilities of the Board which include the management of the financial aspects of the SRFs, the environmental and project construction aspects of the SRFs. Annually, the Board prepares an Intended Use Plan (“IUP”) that describes how program funds are expected to be used to support the overall goals of the programs and includes projects the Board expects to finance from the SRFs. The EPA conducts annual performance reviews of the SRFs to ensure compliance with EPA guidelines and future state eligibility for Federal Capitalization Grants. The Board periodically submits various reports and documentation for review by the EPA. [The current State Fiscal Year 2022 IUP was filed by the Board with the EPA on September 10, 2021.]

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

*Equivalency ("Crosscutter") Requirements.* There are a number of federal laws, executive orders, and federal policies that apply to projects and activities receiving federal financial assistance, regardless of whether the federal laws authorizing the assistance make them applicable. These federal authorities related to the environment, social policies, and economic policies are referred to as cross-cutting authorities or crosscutters. Crosscutters (the "Crosscutter Requirements") apply to all equivalency projects and activities assisted with CWSRF and DWSRF funds. The federal anti-discrimination laws, however, apply to all projects. The Board designates a group of projects elected to follow Crosscutter Requirements, in an amount not less than the Federal Capitalization Grants received, as the case may be, in order to comply with the federal requirements. Projects funded from the CWSRF and the DWSRF that are subject to the Crosscutter Requirements are referred to by the Board as equivalency projects and Political Subdivision Bonds for equivalency projects currently receive lower interest rates.

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

### **Priority System**

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

#### **Additional Subsidies**

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

#### **Composition of Political Subdivision Bonds**

The particular Political Subdivision Bonds (also referred to herein as "PSBs") acquired by the Board and held within the CWSRF and the DWSRF will vary. No assurances can be given that the profile of Political Subdivision Bonds at any time in the future will remain similar to that at the time of issuance of the Series 2022 Bonds. See "Appendix D - Summary Of Political Subdivision Bonds" for a description of the Political Subdivision Bonds held in the CWSRF Portfolio Account and DWSRF Portfolio Account as of February 28, 2022. The Board does not require the political subdivision to obtain a rating from a rating agency for the Political Subdivision Bonds to be eligible for purchase by the Board.

### **Procedures for Purchase of Political Subdivision Bonds**

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

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

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

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

#### **Attorney General Approval of Political Subdivision Bonds**

Prior to purchasing Political Subdivision Bonds pledged as security for the SRF Bonds, the office of the General Counsel for the Board reviews and approves the legal instruments relating to the project. The Attorney General of Texas also reviews the Political Subdivision Bonds for legality; the Board may not purchase Political Subdivision Bonds unless the Political Subdivision Bonds have received an approving opinion from the Attorney General of the State. Upon approval by the Attorney General of the State, the Comptroller of Public Accounts of the State ("Comptroller") registers the securities, and the Political Subdivision Bonds issued by the Political Subdivision are valid, binding and incontestable against a statutory challenge, as provided by the Texas Water Code.

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

#### **Political Subdivision Bond Rates Below Bond Rate**

The interest rate charged to each Political Subdivision will be determined in accordance with the rules of the Board which may be subject to change from time to time (see "Lending Policy and Terms of Political Subdivision Bonds," below) and the annual IUP. The interest rate on SRF Bonds (including the Series 2022 Bonds) may affect the interest rate subsidy the Board establishes each year under various funding options specified in the IUP. In the event the Board has insufficient funds to pay principal or interest on the Series 2022 Bonds, Political Subdivisions are not required to pay amounts in excess of the interest rate on the Political Subdivision Bonds purchased by the Board. In particular, Political Subdivisions are not required to make up revenue shortfalls of the Board resulting from payment defaults of other Political Subdivisions or from insufficient investment earnings.

#### **Credit of Eligible Borrowers**

Some eligible borrowers may not have or may not be able to obtain ratings on their outstanding debt obligations. Eligible borrowers need not have ratings or obtain credit ratings on their Political Subdivision Bonds purchased by the Board. In some instances, the Political Subdivision's authorization of the Political Subdivision Bonds reserves the right to issue obligations with a lien on the security pledged senior to the lien supporting the Political Subdivision Bonds purchased by the Board. A number of specific and general conditions may adversely

affect the ability of eligible borrowers to repay their loans. An economic downturn or recession may adversely affect an eligible borrower's ability to generate revenues from one or all sources securing its Political Subdivision Bonds including, without limitation, property taxes.

### **Lending Policy and Terms of Political Subdivision Bonds**

The Board establishes the financial terms and conditions of Political Subdivision Bonds, including the type of obligation purchased. The Board may consider any relevant factors in establishing the terms and conditions, including the creditworthiness of the eligible borrowers. As part of its technical, managerial, and financial due diligence, the Board must determine that an eligible borrower has the ability to repay the debt service on the entity's bonds. For the CWSRF program, in accordance with the Federal Clean Water Act and the Board's rules, the maximum term is 30 years, provided it does not exceed the projected useful life of the project. For the DWSRF program, in accordance with the Federal Drinking Water Act and the Board's rules, the maximum term is 30 years, provided it does not exceed the expected design life of the project. Pursuant to the Federal Clean Water Act, Federal Drinking Water Act and the SRF Act, the Board can initiate Political Subdivision Bonds at or below market interest rates, including Political Subdivision Bonds with interest rates of zero percent.

Beginning September 1, 2022, the Board will offer eligible borrowers an interest rate on Political Subdivision Bonds purchased based on a percentage reduction from market rates.

For the CWSRF program the interest rate will be a percentage reduction from the Refinitiv Municipal Market Data rate adjusted for yield to maturity that is applicable to the entity's rating, with non-rated entities using the Baa rate, or its equivalent, as follows:

(a) Equivalency projects: 40% reduction, and

(b) Non-Equivalency projects: 35% reduction.

Similarly, for the DWSRF program the interest rate will be a percentage reduction from the Refinitiv Municipal Market Data rate adjusted for yield to maturity that is applicable to the entity's rating, with non-rated entities using the Baa rate, or its equivalent, as follows:

(a) Equivalency projects: 35% reduction, and

(b) Non-Equivalency projects: 30% reduction.

The interest rate reduction methodology for both the CWSRF and DWSRF programs described above would not be applicable to any portion of financing that is offered to an eligible borrower at an interest rate of zero percent.

See "Agreements with and Requirements of EPA – Equivalency ("Crosscutter") Requirements" and "Agreements with and Requirements of EPA - Non-Equivalency Project Requirements" herein. An eligible borrower's alternative cost of funds is calculated based on the market pricing for the type of security the eligible borrower is providing to the Board and the underlying credit rating of the security pledged for the Political Subdivision Bond. See "Political Subdivision Bonds" herein for more information on the different types of security pledges accepted by the Board. This aspect of the interest rate policy is intended to provide a subsidy level that is equitable across a range of credit profiles. The Board's interest rate policy is subject to change by the Board.

### **Political Subdivision Bonds**

Pursuant to the Texas Water Code, Political Subdivision Bonds purchased by the Board can be payable from a pledge of ad valorem taxes, water system net revenues, wastewater system net revenues, net revenues of a combined water and wastewater system or any combination of pledges of taxes, assessments and/or utility system(s) (including gas or electric) revenues. The Board has purchased some Political Subdivision Bonds, the security of which has a lien on and pledge of revenues subordinate to outstanding and future debt of the Political Subdivision. The Board anticipates continuing its practice of purchasing some Political Subdivision Bonds with a subordinate lien pledge. For Political Subdivision Bonds payable solely from revenues, including those with subordinate lien revenue pledges, the

Board generally requires a reserve fund of one year's average annual debt service and a coverage test to be met for the issuance of any additional bonds.

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

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

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

The tax levy described above may be limited depending upon the type of eligible borrower issuing the general obligations. Water districts, including municipal utility districts, operating pursuant to Article XVI, Section 59 of the Texas Constitution are authorized to issue bonds payable from ad valorem taxes unlimited as to rate or amount. However, general obligation bonds issued by municipalities are payable from a limited ad valorem tax.

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

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

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

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

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

As of the date of this Official Statement, there are no Significant Borrowers. No Political Subdivision is expected to become a Significant Borrower as a result of the acquisition of Political Subdivision Bonds by the Board with the proceeds of the Series 2022 Bonds. As of the date of the rating for the Series 2022 Bonds, the SRF portfolio meets rating agency default tolerance standards for “AAA”/“AAA” ratings.

## **SRF Administration Costs**

### *CWSRF*

Pursuant to the current provisions of the Federal Clean Water Act, the maximum annual amount of the CWSRF that may be used to cover the reasonable costs of administering the fund is the greatest of the following: 1. an amount equal to four percent of all CWSRF Capitalization Grants received by the Board less any amounts that have been used in previous years to cover administrative expenses; 2. \$400,000; or 3. one-fifth of one percent of the current valuation of the CWSRF. The current Board policy on origination fees for funding provided pursuant to the State Fiscal Year 2022 IUP assesses a one-time fee of 175 basis points (1.75%) of the CWSRF loan amount, not including the amount of the loan origination fee. An origination fee is not assessed on the principal forgiveness amount.

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

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



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

#### *DWSRF*

Pursuant to the current provisions of the Federal Drinking Water Act, the maximum annual amount of the DWSRF that may be used to cover the reasonable costs of administering the fund, and to provide technical assistance to public water systems, is the amount of any fees collected by the State, regardless of the source; and the greatest of (1) \$400,000, (2) one-fifth of one percent of the current valuation of the DWSRF, and (3) an amount equal to four percent of all grant awards to the DWSRF. The current Board policy on origination fees for funding provided pursuant to the State Fiscal Year 2022 IUP assesses a one-time fee of 200 basis points (2.00%) of the DWSRF loan amount, not including the amount of the loan origination fee. An origination fee is not assessed on the principal forgiveness amount.

In 1995, the Texas Legislature passed legislation authorizing the Board to charge eligible borrowers seeking financial assistance from the DWSRF an origination fee and an annual fee. This legislation also authorized the Board to establish a fund (the “DWSRF Administrative Cost Recovery Fund”) to finance the costs of administration of the DWSRF. The Administrative Cost Recovery Fund must be held outside the State Treasury and separate from the DWSRF. The Board must use money deposited to the credit of the Administrative Cost Recovery Fund to pay the Board’s costs of administering the DWSRF, including the cost of servicing debt obligations of eligible borrowers funded from the CWSRF. The Board may transfer moneys on deposit in the Administrative Cost Recovery Fund to the DWSRF to the extent necessary to prevent a default in the payment of debt service on the Series 2022 Bonds or Subordinate Obligations. Moneys so transferred, however, shall not constitute Pledged SRF Revenues under the Resolution.

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

**APPENDIX C**  
**INFORMATION REGARDING THE**  
**TEXAS WATER DEVELOPMENT BOARD**

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## **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 lead the State's efforts in ensuring a secure water future for Texas and its citizens. The Board is responsible for long-range water planning in the State. The Board is primarily responsible for the State's financial programs associated with the water industry, including the establishment of policy for the financial programs.

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

The primary focus of the Board prior to 1985 was to provide loans to assist communities that found it a hardship to obtain funding from other sources. Constitutional amendments and legislative changes implemented in 1985 broadened the eligibility criteria to include regional water, wastewater, municipal solid waste management, flood control projects, and water projects that involved the conversion from a ground water supply source to a surface supply. In 1987, with the creation of the CWSRF, all political subdivisions (no hardship or regional criteria required) became eligible to apply for financial assistance for wastewater treatment projects. In 1989, a constitutional amendment and legislation authorized the Board to provide loan and grant assistance to construct potable water supply and sanitary sewer systems in impoverished areas through the Economically Distressed Areas Program ("EDAP").

Since 1957, the Legislature and the voters of the State have approved constitutional amendments increasing the Board's bond issuance authority and authorized funding purposes, such that under the various Sections in Article III of the State Constitution (Sections 49-c, 49-d, 49-d-1, 49-d-2, 49-d-5, 49-d-6 and 49-d-7, referred to herein as the "Development Fund I Constitutional Provisions"), the Board was authorized to issue up to \$2.48 billion in Water Development Bonds to augment the Texas Water Development Fund ("Development Fund I"). Pursuant to such authorization, the Board has issued \$1,467,190,000 of Water Development Bonds. Development Fund II ("Development Fund II") was established pursuant to Section 49-d-8, which was approved by the voters of the State on November 4, 1997. Development Fund II is a fund in the State Treasury separate and legally distinct from Development Fund I. All of the liabilities and assets formerly held in the Texas Water Development Fund I have been transferred to Development Fund II.

### **Organizational Structure**

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

### **Board Members**

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

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

The members of the Board currently are:

**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.

#### **Financial Assistance Programs other than the CWSRF and DWSRF Programs**

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

##### ***Texas Water Development Funds***

Development Fund I and Development Fund II are used to provide loans and grants to eligible applicants for the construction of local or regional water supply, wastewater treatment, flood control and municipal solid waste management projects. These funds are funded through the issuance of general obligation bonds issued by the Board on behalf of the State of Texas pursuant to Sections 49-c, 49-d, 49-d-1, 49-d-2, 49-d-5, 49-d-6, 49-d-7, 49-d-8, 49-d-9, 49-d-10, 49-d-11, and 49-d-14 of Article III of the Texas Constitution. Development Fund I is no longer active, and the Board has no current intention to issue bonds to augment Development Fund I. The Board has established the following major accounts within Development Fund II: the EDAP Account, the Financial Assistance Account, and the State Participation Account. The Board has also established the EDAP Bond Payment Account, the Financial Assistance Bond Payment Account, the State Participation Bond Payment Account, and other accounts (including specifically the Water Infrastructure Fund Bond Payment Account) necessary for the proper administration of Development Fund II, as determined by the Board.

##### ***Water Assistance Fund***

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

##### ***Water Infrastructure Fund***

In 2001, the Legislature added provisions to Chapter 15 of the Texas Water Code creating the Water Infrastructure Fund in furtherance of the public purpose of conserving and developing the water resources of the State. The Water Infrastructure Fund may be used (i) to make loans to political subdivisions for projects to conserve, mitigate, convey and develop water resources of the State ("**WIF Projects**"); (ii) to make grants, low interest loans, or zero interest loans to political subdivisions for WIF Projects to serve areas outside metropolitan statistical areas in

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

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

### **Rural Water Assistance Fund**

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

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

### **Texas Agricultural Water Conservation Bond Program.**

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

Money in the Agriculture Fund may be used to provide grants to State agencies to fund conservation programs or conservation projects, provide grants or loans to certain political subdivisions for conservation programs or conservation projects, provide linked deposits to certain financial institutions for loans to certain entities and individuals for conservation projects, pay for the Board’s conservation programs, pay costs of issuance for and debt service due on Texas Agricultural Water Conservation Bonds, and to pay the Board’s related administrative expenses. Conservation programs, certain costs of which may be financed from the Agriculture Fund, include: (a) agricultural water conservation technical assistance programs; (b) research, demonstration, technology transfer, or educational

programs relating to agricultural water use and conservation; (c) precipitation enhancement programs; and (d) any other agricultural water conservation program defined by Board rule. Conservation projects, certain costs of which may be financed from the Agriculture Fund, include projects that: (a) improve water use efficiency; (b) prepare irrigated land for conversion to dry land conditions; (c) prepare dry land for more efficient use of precipitation; (d) purchase and fund the acquisition and installation of devices on public or private property to indicate the amount of water withdrawn for irrigation; (e) prepare and maintain land to be used for brush control activities; and (f) implement any other agricultural water conservation project defined by Board rule.

#### **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.

#### ***State Water Implementation Fund for Texas Program.***

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

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

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

Section 49-d-12 provides that money in SWIFT shall be administered, without further appropriation, by the Board for the purpose of implementing the State Water Plan. In addition, Section 49-d-12 authorizes the Legislature to authorize the Board to enter into bond enhancement agreements to provide a source of revenue or security for



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

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

In accordance with State law, \$2 billion from the State's economic stabilization fund was appropriated and transferred to SWIFT. As of December 31, 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 issue by the Board if the proceeds of SWIRFT revenue bonds will be deposited in the SWIRFT, (ii) to acquire political subdivision obligations or other assets from another fund or account administered by the Board, or (iii) to pay necessary and reasonable costs incurred by the Board in administering SWIRFT. Money deposited to the credit of SWIRFT must be invested as determined by the Board. Subchapter H of Chapter 15 of the Texas Water Code also authorizes that Board to issue revenue bonds for the purpose of providing money for SWIRFT. Revenue bonds issued under Subchapter H of Chapter 15 of the Texas Water Code are special obligations of the Board payable only from and secured by designated income and receipts of SWIRFT, and do not constitute indebtedness of the State.

As of 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.

## **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,

adopted January 2018, addresses the goals of engagement, tooling, staffing, response and outreach. In addition to compliance with such plan, the Board has adopted information technology policies and procedures, including risk management policies and procedures that are reviewed and updated annually. The Board employs other routine and standard processes that ensure the security of information resources as well, such as an annual 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. As of the date of this Official Statement, 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 by 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. The Sunset Act further prohibits the Legislature from enacting legislation which would in any way affect the Board’s continuing obligations, including the Series 2022 Bonds.

**\*\*Note from Co-Mngrs: Consider referencing Self-Evaluation Report posted on TWDB website if appropriate.\*\***

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**APPENDIX D**

**SUMMARY OF POLITICAL SUBDIVISION BONDS**

*TWDB to Provide*

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**SUMMARY OF POLITICAL SUBDIVISION BONDS  
AS OF [REDACTED], [REDACTED]**

The Political Subdivision Bonds listed under the headings CWSRF Political Subdivision Bonds and DWSRF Political Subdivision Bonds are held in the CWSRF Portfolio Account and DWSRF Portfolio Account, respectively, which were created by the Master Resolution adopted by the Board on March 1, 2018, and Repayments of such Political Subdivision Bonds will be Security for the SRF Bonds, available to make debt service payments on the Outstanding SRF Bonds, including the Series 2022 Bonds.

**CLEAN WATER STATE REVOLVING FUND POLITICAL SUBDIVISION BONDS SUMMARY**

**DRINKING WATER STATE REVOLVING FUND POLITICAL SUBDIVISION BONDS SUMMARY**

**APPENDIX E**  
**PROPOSED FORM OF OPINION OF BOND COUNSEL**



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**APPENDIX F**

**SUMMARY OF MASTER RESOLUTION AND FIFTH SUPPLEMENTAL RESOLUTION**

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**SUMMARY OF PROVISIONS  
OF THE MASTER RESOLUTION AND THE FIFTH SUPPLEMENTAL RESOLUTION**

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

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

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**SUMMARY OF MASTER RESOLUTION**  
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Throughout the Summary of Master Resolution, references are made to the CWSRF Master Resolution and the obligations of the Board in respect to the funding of obligations issued or incurred under the CWSRF Master Resolution that were secured by and payable from CWSRF revenues. As more fully described in "SUMMARY OF THE FIFTH SUPPLEMENTAL RESOLUTION – Defeasance of CWSRF Prior Bonds," the Board has effected the defeasance of all obligations heretofore outstanding under the terms of the CWSRF Master Resolution, and (i) there are no obligations of the Board outstanding under the terms of the CWSRF Master Resolution and (ii) the Board no longer has the authority to issue or incur obligations under the terms of the CWSRF Master Resolution. Such references in the Summary of Master Resolution are of no force and effect as a result of said defeasance.

**ESTABLISHMENT OF FINANCING PROGRAM**

*Establishment of Financing Program*

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

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

*Security*

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

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

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

#### *SRF Bonds Ratably Secured*

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

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

#### *Issuance of SRF Bonds and Credit Enhancement Agreements*

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

### **COVENANTS AND REPRESENTATIONS**

#### *Payment of SRF Bonds*

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

#### *Authority*

The Board represents and warrants that: (i) it is duly authorized under the Constitution and laws of the State, particularly the Bond Act and Chapter 1371, to issue the SRF Bonds, to secure the SRF Bonds through the cross collateralization of revenues and assets held in the CWSRF and the DWSRF under authority of the SRF Act, to execute and deliver at any time any Credit Enhancement Agreement in relation to such SRF Bonds, and to perform the terms of the Master Resolution; (ii) all action on its part for the adoption of the Master Resolution has been duly taken; (iii) the Master Resolution and the SRF Bonds, upon issuance and authentication, shall be valid and enforceable against

the Board in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights generally; (iv) upon the issuance of the first Series or Installment of SRF Bonds pursuant to the Master Resolution, the Board will not have pledged, granted a lien on or otherwise disposed of the Security for the SRF Bonds except in favor of the General Obligation Match Bonds and the SRF Bonds (including any related Credit Enhancement Agreements); and (v) the adoption and performance of the Master Resolution and issuance of the SRF Bonds are not in contravention of law or any agreement, instrument, indenture or other undertaking to which it is a party or by which it is bound and no other approval, consent or notice from any governmental agency is required. As further provided for and specified in a Supplemental Resolution, the Board may delegate to an Authorized Representative the ability to effect any and all matters with respect to the Master Resolution. Any determination made by an Authorized Representative has the same force and effect as a determination made by the Board.

#### *Political Subdivision Bonds*

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

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

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

#### *Pledged Revenues*

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

#### *State Revolving Funds*

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

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

#### *Credit Enhancement Agreements*

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



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

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

### **FUNDS AND ACCOUNTS**

#### *Fund Accounts; Trust Agreement*

- (a) The accounts and subaccounts within the CWSRF established under the terms of the CWSRF Master Resolution shall be maintained for so long as the obligations issued or incurred by the Board under the terms of the CWSRF Master Resolution are outstanding. In addition, the Operating Account is established and is held by the Comptroller, as custodian for the Board.
- (b) The Board hereby establishes the following accounts and subaccounts within the CWSRF:
  - (i) the CWSRF Portfolio Account;
  - (ii) the CWSRF Revenue Account;
  - (iii) the CWSRF Program Account (and within the CWSRF Program Account the CWSRF Bond Proceeds Subaccount and the CWSRF Equity Subaccount).
- (c) The Board hereby establishes the following accounts and subaccounts within the DWSRF:
  - (i) the DWSRF Portfolio Account;
  - (ii) the DWSRF Revenue Account;
  - (iii) the DWSRF Program Account (and within the DWSRF Program Account the DWSRF Bond Proceeds Subaccount and the DWSRF Equity Subaccount).
- (d) The Board hereby establishes the following accounts and subaccounts within the CWSRF, for the benefit of the holders of the SRF Bonds, Subordinate Obligations and General Obligation Match Bonds:
  - (i) the Senior Bond Interest and Sinking Account (and within the Senior Bond Interest and Sinking Account the Senior Interest Subaccount and the Senior Principal Subaccount);
  - (ii) the Portfolio Redemption Account; and
  - (iii) the General Obligation Match Bond Interest and Sinking Account.

#### *Portfolio Accounts*

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

### *Revenue Accounts*

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

### *Senior Bond Interest and Sinking Account and Subaccounts*

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

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

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

### *Portfolio Redemption Account*

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

### *General Obligation Match Bond Interest and Sinking Account*

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

### *Operating Account*

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

### *Program Accounts*

Proceeds from the sale of SRF Bonds to be used to finance the acquisition of Political Subdivision Bonds purchased for the CWSRF Portfolio Account or the DWSRF Portfolio Account, as the case may be, shall be deposited to the credit of the CWSRF Bond Proceeds Subaccount of the CWSRF Program Account or the DWSRF Bond Proceeds Subaccounts of the DWSRF Program Account, as applicable. Money in such accounts shall be used (i) to

purchase Political Subdivision Bonds for the CWSRF or DWSRF Portfolio Account, as applicable, (ii) to purchase insurance for Political Subdivision Bonds purchased for the CWSRF Portfolio Account or the DWSRF Portfolio Account, as applicable, (iii) as a source of revenue for the payment or prepayment of SRF Bonds (and any related Credit Enhancement Agreements), General Obligation Match Bonds and Subordinate Obligations, all for the purpose of providing financial assistance in accordance with the Federal Clean Water Act, the Federal Drinking Water Act, the SRF Act and (with respect to amounts in the CWSRF Program Account derived from CWSRF General Obligation Match Bond proceeds and in the DWSRF Program Account derived from DWSRF General Obligation Match Bond proceeds) the applicable provisions of Chapter 17, Texas Water Code, and the resolutions authorizing the issuance of such CWSRF General Obligation Match Bonds or DWSRF General Obligation Match Bonds, (iv) to provide loan guaranties consistent with the provisions of the SRF Act, and (v) for such other authorized purposes as the Board shall determine from time to time, including, without limitation, the transfer of money to provide security for Other SRF Obligations, but solely to the extent that such purposes are in accordance with the foregoing authorities. In addition, to the extent required by any Supplemental Resolution, the Board may use money in the CWSRF Bond Proceeds Subaccount of the CWSRF Program Account or DWSRF Bond Proceeds Subaccount of the DWSRF Program Account, as applicable, to pay rebate amounts to the federal government.

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

#### *Interest and Sinking Accounts for Subordinate Obligations*

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

#### *Flow of Funds*

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

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

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

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

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

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

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

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

SEVENTH, to the General Obligation Match Bond Interest and Sinking Account, the amount required to be transferred pursuant to the Transfer Resolutions for the payment of principal of and interest on General Obligation Match Bonds; provided, however, that transfers to the General Obligation Match Bond Interest and Sinking Account during any Fiscal Year shall only be made from (i) the interest component of all Repayments received on Political Subdivision Bonds during such Fiscal Year and (ii) all amounts received by the Board as income, profits or gain on investments of money held in the CWSRF and the DWSRF;

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

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

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

#### *Expense Accounts*

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

#### *Sale Proceeds and Prepayments*

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

#### *Deficiencies*

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

## *Investments*

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

## **DISCHARGE OF LIEN**

### *Discharge of Lien and Security Interest*

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

### *Provision for Payment of SRF Bonds*

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

- (i) there shall have been irrevocably deposited in the Senior Bond Interest and Sinking Account either (A) sufficient money, or (B) Defeasance Obligations, of such maturities and interest payment dates and bearing such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon (said earnings also to be held in trust), be sufficient (as confirmed by a report of an independent certified public accountant or firm of certified public accountants) together with any money referred to in (A) above, for the payment at their respective maturities or redemption dates prior to maturity of the principal thereof and the redemption premium (if any) and interest to accrue thereon at such maturity or redemption dates, as the case may be;
- (ii) there shall have been paid or provision duly made for the payment of all fees and expenses of any Fiscal Agent for such SRF Bonds due or to become due; and
- (iii) if any such SRF Bonds are to be redeemed on any date prior to their maturity, the Fiscal Agent shall have received in form satisfactory to it irrevocable instructions from an Authorized Representative to redeem such SRF Bonds on such date and irrevocable power authorizing the Fiscal Agent to give such redemption notices.

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

the Master Resolution which is not required for the payment of the SRF Bonds and interest and redemption premium, if any, thereon with respect to which such money shall have been so deposited shall be deposited in the Senior Bond Interest and Sinking Account as and when realized and collected for use and application as are other money deposited in the Senior Bond Interest and Sinking Account.

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

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

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

## **DEFAULT PROVISIONS AND REMEDIES**

### *Events of Default*

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

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

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

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

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

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

### *Remedies*

In case one or more Events of Default shall occur, then and in every such case any Bondholder or Credit Enhancement Provider, if any, may proceed to protect and enforce their respective rights by such appropriate judicial proceeding as such Bondholder or Credit Enhancement Provider shall deem most effectual to protest and enforce any such right, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained in this Master Resolution, or in aid of the exercise of any power granted in this Master Resolution, or to enforce any other legal or equitable right vested in the Bondholders or the Credit Enhancement Providers by this Master Resolution or the SRF Bonds or by law.

## **AMENDMENTS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Amendments Requiring Majority Consent of Bondholders or Confirmation of Ratings*



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

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

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

Notwithstanding the foregoing, nothing shall permit, or be construed as permitting, without the consent of the Bondholders of one hundred percent (100%) of the principal amount of SRF Bonds outstanding (a) an extension of the maturity of the principal of or the mandatory redemption date of, or interest payment date on, any SRF Bond, (b) a reduction in the principal amount of, or the redemption premium or the rate of interest on, any SRF Bond, (c) a preference or priority of any SRF Bond or SRF Bonds over any other SRF Bond or SRF Bonds, (d) the creation of a lien prior to the lien of the Master Resolution, or (e) a reduction in the aggregate principal amount of the SRF Bonds required for any consent to any amendment.

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

### *Supplemental Resolutions*

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

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

### *Cross Collateralization*

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

*Requests for Transfers from Additional State Revolving Fund*

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

*Release of Political Subdivision Bonds*

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

*Amendments to Political Subdivision Bonds*

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

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## SUMMARY OF THE FIFTH SUPPLEMENTAL RESOLUTION

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### DEFEASANCE OF CWSRF PRIOR BONDS

On July 18, 2018, the Board deposited funds with The Bank of New York Mellon Trust Company, N.A., the paying agent (the “CWSRF Prior Bonds Agent”) for the Board’s outstanding State Revolving Fund Subordinate Lien Revenue Bonds, Series 2009A, Sub-Series 2009A (the “CWSRF Prior Bonds”), the last outstanding series of bonds issued pursuant to and governed by the CWSRF Master Resolution, in an amount sufficient, together with investment earnings derived from the deposit of such funds, to provide for the payment in full of the CWSRF Prior Bonds on July 15, 2019, the dated fixed for redemption of the CWSRF Prior Bonds. By letter dated July 13, 2018, the Board directed the CWSRF Prior Bonds Agent to give notice of redemption of the CWSRF Prior Bonds in accordance with the provisions governing their issuance. As a result of the defeasance of the CWSRF Prior Bonds, there are no obligations of the Board outstanding secured solely by a first lien on and pledge of CWSRF revenues. The Board no longer has the authority to issue or incur obligations under the terms of the CWSRF Master Resolution.

### SUBACCOUNTS

#### *Establishment and Use of Subaccounts*

(a) Under the terms of the Master Resolution, the Board has established with the Comptroller the Senior Bond Interest and Sinking Account, and therein the Senior Interest Subaccount and the Senior Principal Subaccount. There is created within the Senior Interest Subaccount separate subaccounts entitled the “Texas Water Development Board Clean Water State Revolving Fund Revenue Bonds Series 2022 Interest Subaccount” (the “CWSRF Series 2022 Interest Subaccount”) and the “Texas Water Development Board Drinking Water State Revolving Fund Revenue Bonds Series 2022 Interest Subaccount” (the “DWSRF Series 2022 Interest Subaccount”). There is created within the Senior Principal Subaccount entitled the “Texas Water Development Board Clean Water State Revolving Fund Revenue Bonds Series 2022 Principal Subaccount” (the “CWSRF Series 2022 Principal Subaccount”) and the “Texas Water Development Board Drinking Water State Revolving Fund Revenue Bonds Series 2022 Principal Subaccount” (the “DWSRF Series 2022 Principal Subaccount”).

(b) Money in each of the subaccounts in (a) above shall be transferred by the Board, consistent with the provisions of the Master Resolution, to the Agent, to be held in trust by the Agent for the holders of Series 2022 Bonds by the Agent and, except as otherwise provided in the Fifth Supplemental Resolution, shall be used solely for the timely payment of the interest on the Series 2022 Bonds and for the timely payment of principal of and redemption premium, if any, on the Series 2022 Bonds upon maturity or upon mandatory or optional redemption (but, excluding redemption with money in the Portfolio Redemption Account).

(c) Designated Pledged CWSRF Revenues (1) shall be deposited to the credit of the CWSRF Series 2022 Interest Subaccount and used to pay interest on the Series 2022 Bonds issued to augment the CWSRF (including the provision of state matching funds) when due and payable and (2) shall be deposited to the credit of the CWSRF Series 2022 Principal Subaccount and used to pay principal of the Series 2022 Bonds issued to augment the CWSRF when due and payable; provided, the principal of and interest on CWSRF Match Bonds will be payable solely from Designated Pledged CWSRF Revenues which consist of Repayments that are interest (and not principal) and amounts received by the Board as income, profits or gain on investments.

(d) No later than the last Business Day of the month next preceding a Principal Payment or an Interest Payment Date on the Series 2022 Bonds, if an Authorized Representative determines that Designated Pledged CWSRF Revenues will not be sufficient to provide for the payment in full of the principal of and interest on the Series 2022 Bonds issued to augment the CWSRF when due and payable, the Authorized Representative will take such action as is permitted in the Master Resolution and applicable federal law to transfer available Designated Pledged DWSRF Revenues for deposit to the credit of the CWSRF Series 2022 Interest Subaccount or to the credit of the CWSRF Series 2022 Principal Subaccount, as the case may be, to fund the deficiency to enable the timely payment of principal

of and interest on such Series 2022 Bonds; provided, that no Designated Pledged DWSRF Revenues which consist of Repayments that constitute repayments of principal shall be used to pay debt service on CWSRF Match Bonds.

(e) Designated Pledged DWSRF Revenues (1) shall be deposited to the credit of the DWSRF Series 2022 Interest Subaccount and used to pay interest on the Series 2022 Bonds issued to augment the DWSRF (including the provision of state matching funds) when due and payable and (2) shall be deposited to the credit of the DWSRF Series 2022 Principal Subaccount and used to pay principal of the Series 2022 Bonds issued to augment the DWSRF when due and payable; provided, the principal of and interest on DWSRF Match Bonds will be payable solely from Designated Pledged DWSRF Revenues which consist of Repayments that are interest (but not principal) and amounts received by the Board as income, profits or gain on investments.

(f) No later than the last Business Day of the month next preceding a Principal Payment or an Interest Payment Date on the Series 2022 Bonds, if an Authorized Representative determines that Designated Pledged DWSRF Revenues will not be sufficient to provide for the payment in full of the principal of and interest on the Series 2022 Bonds issued to augment the DWSRF when due and payable, the Authorized Representative will take such action as is permitted in the Master Resolution and applicable federal law to transfer available Designated Pledged CWSRF Revenues for deposit to the credit of the DWSRF Series 2022 Interest Subaccount or to the credit of the DWSRF Series 2022 Principal Subaccount, as the case may be, to fund the deficiency to enable the timely payment of principal of and interest on such Series 2022 Bonds; provided, that no Designated Pledged CWSRF Revenues which consist of Repayments that constitute repayments of principal shall be used to pay debt service on DWSRF Match Bonds.

(g) On or before the first scheduled Interest Payment Date, and on or before each Interest Payment Date and Principal Payment Date thereafter while any Series 2022 Bond is outstanding and unpaid, the Board shall make available to the Agent from the subaccounts described above moneys sufficient to pay such interest on and such principal amount of the Series 2022 Bonds, as shall become due on such Interest Payment Dates and Principal Payment Dates.

#### *Discharge of the Master Resolution*

Notwithstanding the fact that the lien of the Master Resolution upon the Security for the SRF Bonds may have been discharged and canceled in accordance with the provisions of the Master Resolution, the Master Resolution and the rights granted and duties imposed thereby, to the extent not inconsistent with the fact that the lien upon the Security for the SRF Bonds may have been discharged and canceled, shall nevertheless continue and subsist after payment in full of the Series 2022 Bonds until the Agent shall have returned to the Board all funds held by the Agent pursuant to “—*Establishment and Use of Subaccounts*,” above.

#### *Records*

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

#### *Investment of Subaccounts*

Cash held as part of the subaccounts created in the Fifth Supplemental Resolution shall be invested and reinvested by the Agent in Permitted Investments in accordance with the written instructions of an Authorized Representative; provided, that the Board covenants to assure that all investments shall be made in such manner that the money required to be expended from such funds will be available at the proper time or times; and provided, further, that any money held by the Agent to pay the principal of, premium, if any, or interest which has become payable with respect to the Series 2022 Bonds shall not be invested.

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

## ADMINISTRATION OF THE FINANCING PROGRAM

### *Qualifications of Agent; Resignation; Removal*

- i. The Board covenants with the owners of the Series 2022 Bonds that at all times while the Series 2022 Bonds are outstanding the Board will provide a competent and legally qualified bank, trust company or other financial institution to act as and perform the services of Agent for the Series 2022 Bonds under the Fifth Supplemental Resolution. The Agent shall be a commercial bank or a trust company duly organized under the laws of the United States of America or any state or territory thereof, having a combined capital stock, surplus and undivided profits of at least \$50,000,000, having trust powers and authorized by law to perform all the duties imposed upon it by the Fifth Supplemental Resolution. Until otherwise designated in writing by the Agent to the Board, the principal office of the Agent for all purposes hereof shall be the office of the Agent identified in the Fifth Supplemental Resolution at which all deliveries to the Agent hereunder shall be made and any and all notices and other communications in connection herewith shall be delivered. The Agent may at any time resign and be discharged of the duties and obligations created by the Fifth Supplemental Resolution by giving at least sixty (60) days' notice to the Board. The Agent may be removed at any time, at the discretion of the Board, by an instrument, signed by an Authorized Representative, filed with such Agent. The resignation or removal of the Agent, as provided above, shall not be effective until a successor to the Agent has been appointed by the Board.
- ii. In the event of the resignation or removal of the Agent, the Agent shall deliver any money and any Series 2022 Bonds and its related books and records held by it in such capacity to its successor.

### *Instruments of Bondholders*

Any instrument required by the Fifth Supplemental Resolution to be executed by Bondholders may be in any number of writings of similar tenor and may be executed by Bondholders in person or by agent appointed in writing. Proof of the execution of any such instrument or of the writing appointing any such agent and of the ownership of Series 2022 Bonds given in any of the following forms shall be sufficient for any of the purposes of the Fifth Supplemental Resolution: (i) a certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof; or (ii) a certificate executed by any trust company or bank stating that at the date thereof the party named therein did exhibit to an officer of such trust company or bank, as the property of such party, the Series 2022 Bonds therein mentioned.

The Agent may rely on such an instrument of Bondholders unless and until the Agent receives notice in the form specified in clause (i) or (ii) above that the original such instrument is no longer reliable. In the event that the Agent shall receive conflicting directions from two or more groups of Bondholders, each with combined holdings of not less than 25% of the principal amount of outstanding Series 2022 Bonds, the directions given by the group of Bondholders which hold the largest percentage of Series 2022 Bonds shall be controlling and the Agent shall follow such directions to the extent required herein.

## CONTINUING DISCLOSURE UNDERTAKING

### *Annual Reports*

The Board shall provide annually to the MSRB, within 195 days after the end of each Fiscal Year ending in or after 2022, financial information and operating data with respect to the Board of the general type included in the final Official Statement authorized by the Fifth Supplemental Resolution, being the information described in Exhibit F to the Fifth Supplemental Resolution. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in Exhibit F to the Fifth Supplemental Resolution and (2) audited, if the Board commissions an audit of such statements and the audit is completed within twelve months after the end of each Fiscal Year ending in or after 2022. If audited financial statements are not available at the end of the twelve month

period, then the Board will provide notice that the audited financial statements are not available, will provide unaudited financial statements by the end of the twelve month period and will provide audited financial statements for the applicable fiscal year to the MSRB, when and if the audited financial statements become available.

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

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

#### *Disclosure Event Notices*

The Board shall notify the MSRB, in a timely manner, not in excess of ten Business Days after the occurrence of any of the following events, with respect to the Series 2022 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 2022 Bonds, or other events affecting the tax status of the Series 2022 Bonds;
7. Modifications to rights of holders of the Series 2022 Bonds, if material;
8. Series 2022 Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Series 2022 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;
14. Appointment of a successor Agent or change in name of the Agent, if material;
15. Incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, and of which reflect financial difficulties.

The Board shall notify the MSRB, in a timely manner, of any failure by the Board to provide financial information or operating data in accordance with "*—Annual Reports,*" above, by the time required by such section.

As used in clause 12 above, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the Board in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if jurisdiction has been assumed by leaving the Board and officials or officers of the Board in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a

court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board.

As used in clauses 15 and 16 above, the term "Financial Obligation" means: (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii), however, the term Financial Obligation shall not include Municipal Securities as to which a final official statement has been provided to the MSRB consistent with the Rule; the term "Municipal Securities" means securities which are direct obligations of, or obligations guaranteed as to principal or interest by, a state or any political subdivision thereof, or any agency or instrumentality of a state or any political subdivision thereof, or any municipal corporate instrumentality of one or more states and any other Municipal Securities described by Section 3(a)(29) of the Securities Act of 1934, as the same may be amended from time to time; and the term "Obligated Person" means the Board.

#### *Limitations, Disclaimers and Amendments*

The Board shall be obligated to observe and perform the covenants specified in "CONTINUING DISCLOSURE UNDERTAKING," above, for so long as, but only for so long as, the Board remains an "obligated person" with respect to the Series 2022 Bonds within the meaning of the Rule, except that the Board in any event will give the notice required by "*Disclosure Event Notices*," above, of any Series 2022 Bond calls and defeasance that cause the Board to be no longer an "obligated person".

The provisions under "CONTINUING DISCLOSURE UNDERTAKING" of the Fifth Supplemental Resolution are for the sole benefit of the Holders and beneficial owners of the Series 2022 Bonds, and nothing in such section, 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 "CONTINUING DISCLOSURE UNDERTAKING" of the Fifth Supplemental Resolution, and does not undertake to provide any other information that may be relevant or material to a complete presentation of the Board's financial results, condition, or prospects or undertake to update any information provided in accordance with "CONTINUING DISCLOSURE UNDERTAKING" of the Fifth Supplemental Resolution or otherwise, except as expressly provided therein. The Board does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Series 2022 Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE BOARD BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY SERIES 2022 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 "CONTINUING DISCLOSURE UNDERTAKING" OF THE FIFTH SUPPLEMENTAL RESOLUTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

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

#### *Continuing Disclosure Undertaking of Significant Borrowers*

The Board shall require each Significant Borrower to adopt an ordinance, order or resolution (a "Significant Borrower Undertaking") pursuant to which each Significant Borrower must agree to provide annually to the MSRB financial information and operating data with respect to the Significant Borrower of the general type described in the Fifth Supplemental Resolution. For purposes of the Fifth Supplemental Resolution, the term "Significant Borrower" includes (i) any Political Subdivision that is a Significant Borrower as of the date the Fifth Supplemental Resolution is adopted (an "Existing Significant Borrower") and (ii) a Political Subdivision that, as a result of the Board's future acquisition of its Political Subdivision Bonds, becomes a Significant Borrower (a "Future Significant Borrower"). Any Existing Significant Borrower must agree to provide, within 195 days after the end of each fiscal year thereof ending in or after the year the Political Subdivision became a Significant Borrower, financial information and operating data with respect thereto of the nature included in the final Official Statement authorized by the Fifth

Supplemental Resolution, being the information described in Exhibit G to the Fifth Supplemental Resolution. Any financial statements so to be provided shall be prepared in accordance with the accounting principles described in Exhibit G, or such other accounting principles as such Existing Significant Borrower may be required to employ from time to time pursuant to state law or regulation. Any Future Significant Borrower must agree to provide, within 195 days after the end of each fiscal year thereof ending in or after the year the Political Subdivision became a Significant Borrower, financial information and operating data with respect thereto of the nature required by the Significant Borrower Undertaking. Any financial statements so to be provided shall be prepared in accordance with the accounting principles described in the Significant Borrower Undertaking, or such other accounting principles as such Significant Borrower may be required to employ from time to time pursuant to state law or regulation. In any case, if such Significant Borrower commissions an audit of such statements and the audit is completed within the period during which they must be provided, the financial statements to be provided shall be audited. If the audit of such financial statements is not complete within such period, then such Significant Borrower shall provide unaudited financial statements and thereafter audited financial statements for the applicable fiscal year to the Board, the MSRB, when and if the audit report on such statements become available.

Each Significant Borrower shall be obligated under its Significant Borrower Undertaking to observe and perform the covenants specified herein for so long as, but only for so long as, any Significant Borrower remains an “obligated person” with respect to the Series 2022 Bonds within the meaning of the Rule.

## MISCELLANEOUS

### *Amendment*

The Fifth Supplemental Resolution may be amended in the same manner, for the same purposes and subject to the same limitations as set forth in Article VII of the Master Resolution for amendment of the Master Resolution (see “SUMMARY OF MASTER RESOLUTION – Amendments”); provided, however, that with regard to any amendment of the Fourth Supplemental Resolution requiring either the affirmation of the Rating Agencies or consent of the Bondholders, the only affirmation or consent that shall be required is that of the Rating Agencies then rating the Series 2022 Bonds or the Bondholders of the Series 2022 Bonds, as the case may be.



**APPENDIX G**  
**UNAUDITED FINANCIAL STATEMENTS**  
**OF THE CWSRF AND DWSRF**  
**FOR FISCAL YEAR ENDED AUGUST 31**

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**Statement of Net Position - CWSRF**  
**UNAUDITED<sup>1</sup>**

	2017	2018	2019	2020	2021
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents:					
Cash Equivalents	\$ 75,039,874	\$ 179,467,577	\$ 246,888,716	\$ 186,986,495	\$ 154,313,996
Short Term Investments	245,037,691	319,873,402	302,965,550	234,158,146	246,742,633
Receivables from:					
Federal	-	285,226	287,797	815,825	356,410
Interest and Dividends	57,166,883	51,762,546	10,539,380	8,302,539	7,794,191
Interfund Receivables					75,000,000
Loans and Contracts	125,068,800	179,391,800	111,820,900	119,228,000	114,082,000
<b>Total Current Assets</b>	<b>502,313,249</b>	<b>730,780,551</b>	<b>672,502,343</b>	<b>549,491,004</b>	<b>598,289,230</b>
Non-Current Assets:					
Loans and Contracts	2,470,756,330	2,416,569,530	2,503,533,630	3,042,535,630	3,032,343,630
Investments	-	-	27,871,622	-	-
<b>Total Non-Current Assets</b>	<b>2,470,756,330</b>	<b>2,416,569,530</b>	<b>2,531,405,252</b>	<b>3,042,535,630</b>	<b>3,032,343,630</b>
<b>Total Assets</b>	<b>\$ 2,973,069,579</b>	<b>\$ 3,147,350,081</b>	<b>\$ 3,203,907,595</b>	<b>\$ 3,592,026,634</b>	<b>\$ 3,630,632,860</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Payables from:					
Accounts Payable	\$ -	\$ 6,256	\$ 14,461	\$ -	\$ 62,871
Interest Payable	1,037,066	3,797,604	981,992	1,872,892	1,808,025
Interfund Payables	13,623,220	13,879,192	13,417,323	13,882,036	14,210,634
Due to Other Funds	-	285,226	902,333	1,368,366	779,449
Revenue Bonds Payable	11,510,680	6,924,517	12,109,484	23,962,024	24,747,024
<b>Total Current Liabilities</b>	<b>26,170,966</b>	<b>24,892,795</b>	<b>27,425,593</b>	<b>41,085,318</b>	<b>41,608,003</b>
Non-Current Liabilities:					
Interfund Payable	119,283,226	115,163,516	101,746,193	87,864,157	73,653,522
Revenue Bonds Payable	162,606,120	252,641,304	265,491,491	551,410,437	526,663,413
<b>Total Non-Current Liabilities</b>	<b>281,889,346</b>	<b>367,804,820</b>	<b>367,237,684</b>	<b>639,274,594</b>	<b>600,316,936</b>
<b>Total Liabilities</b>	<b>\$ 308,060,312</b>	<b>\$ 392,697,616</b>	<b>\$ 394,663,278</b>	<b>\$ 680,359,912</b>	<b>\$ 641,924,939</b>
<b>NET POSITION</b>					
Restricted for:					
Other	2,665,009,267	2,754,652,466	2,809,244,317	2,911,666,722	2,988,707,921
<b>Total Net Position</b>	<b>\$ 2,665,009,267</b>	<b>\$ 2,754,652,466</b>	<b>\$ 2,809,244,317</b>	<b>\$ 2,911,666,722</b>	<b>\$ 2,988,707,921</b>

*Numbers may not add due to rounding*

<sup>1</sup> The financial data presented here is a recapitulation of the Board's financial statements presented in their Annual Financial Reports. The Board's financial statements become a part of the 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.

**Statement of Revenues, Expenses, and Changes in Net Position - CWSRF**

UNAUDITED<sup>1</sup>

	2017	2018	2019	2020	2021
<b>OPERATING REVENUES:</b>					
Interest and Investment Income	\$ 62,799,394	\$ 58,030,251	\$ 22,651,169	\$ 51,123,248.27	\$ 36,217,162.19
Net Increase (Decrease) Fair Market Value	(104,992)	14,011	192,234	25,045	(199,384)
Other Operating Revenues	4,749,778	4,925,405	5,661,354	16,029,634	5,165,467
<b>Total Operating Revenues</b>	<b>67,444,179</b>	<b>62,969,666</b>	<b>28,504,757</b>	<b>67,177,927</b>	<b>41,183,245</b>
<b>OPERATING EXPENSES:</b>					
Salaries and Wages	1,944,713	2,784,395	2,675,855	3,208,589	2,721,113
Payroll Related Costs	344,207	491,567	509,345	566,248	497,353
Professional Fees and Services	98,542	1,411,962	446,422	1,578,207	410,146
Travel	16,067	32,304	30,557	15,964	597
Materials and Supplies	2,114	1,715	2,706	4,330	2,952
Communication and Utilities	16,158	14,194	11,277	12,877	14,786
Repairs and Maintenance	-	220	38	-	1,142
Rentals and Leases	26,193	28,916	28,598	29,340	29,246
Printing and Reproduction	-	12,922	225	1,144	-
Interest	17,211,206	8,597,337	15,341,907	15,765,765	21,695,409
Other Operating Expenses	11,266	3,206	19,582	13,924	6,667
<b>Total Operating Expenses</b>	<b>19,670,467</b>	<b>13,378,738</b>	<b>19,066,512</b>	<b>21,196,387</b>	<b>25,379,411</b>
<b>Operating Income (Loss)</b>	<b>47,773,712</b>	<b>49,590,928</b>	<b>9,438,246</b>	<b>45,981,540</b>	<b>15,803,834</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Federal Revenue	61,068,000	59,564,289	72,591,901	72,380,441	71,226,805
Other Benefit Payments	-	(490,000)	(1,438,000)	(1,877,077)	-
Other Nonoperating Revenues (Expenses)	(9,320,824)	(19,022,019)	(26,000,295)	(14,062,499)	(9,989,440)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>51,747,176</b>	<b>40,052,270</b>	<b>45,153,606</b>	<b>56,440,865</b>	<b>61,237,365</b>
<b>Income/(Loss) before Other Revenues, Expenses, Gains/Losses and Transfers</b>	<b>99,520,888</b>	<b>89,643,199</b>	<b>54,591,851</b>	<b>102,422,405</b>	<b>77,041,199</b>
<b>OTHER REVENUES, EXPENSES, GAINS/LOSSES AND TRANSFERS:</b>					
Transfers-In	109,207	-	-	-	-
<b>Total Other Revenues, Expenses, Gain/Losses and Transfers</b>	<b>109,207</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>99,630,095</b>	<b>89,643,199</b>	<b>54,591,851</b>	<b>102,422,405</b>	<b>77,041,199</b>
Total Net Position - September 1	2,565,379,172	2,665,009,267	2,754,652,466	2,809,244,317	2,911,666,722
<b>Total Net Position - August 31</b>	<b>\$ 2,665,009,267</b>	<b>\$ 2,754,652,466</b>	<b>\$ 2,809,244,317</b>	<b>\$ 2,911,666,722</b>	<b>\$ 2,988,707,921</b>

*Numbers may not add due to rounding*

**Statement of Revenues, Expenses, and Changes in Net Position - CWSRF**

UNAUDITED<sup>1</sup>

	2017	2018	2019	2020	2021
<b>OPERATING REVENUES:</b>					
Interest and Investment Income	\$ 62,799,394	\$ 58,030,251	\$ 22,651,169	\$ 51,123,248.27	\$ 36,217,162.19
Net Increase (Decrease) Fair Market Value	(104,992)	14,011	192,234	25,045	(199,384)
Other Operating Revenues	4,749,778	4,925,405	5,661,354	16,029,634	5,165,467
<b>Total Operating Revenues</b>	<b>67,444,179</b>	<b>62,969,666</b>	<b>28,504,757</b>	<b>67,177,927</b>	<b>41,183,245</b>
<b>OPERATING EXPENSES:</b>					
Salaries and Wages	1,944,713	2,784,395	2,675,855	3,208,589	2,721,113
Payroll Related Costs	344,207	491,567	509,345	566,248	497,353
Professional Fees and Services	98,542	1,411,962	446,422	1,578,207	410,146
Travel	16,067	32,304	30,557	15,964	597
Materials and Supplies	2,114	1,715	2,706	4,330	2,952
Communication and Utilities	16,158	14,194	11,277	12,877	14,786
Repairs and Maintenance	-	220	38	-	1,142
Rentals and Leases	26,193	28,916	28,598	29,340	29,246
Printing and Reproduction	-	12,922	225	1,144	-
Interest	17,211,206	8,597,337	15,341,907	15,765,765	21,695,409
Other Operating Expenses	11,266	3,206	19,582	13,924	6,667
<b>Total Operating Expenses</b>	<b>19,670,467</b>	<b>13,378,738</b>	<b>19,066,512</b>	<b>21,196,387</b>	<b>25,379,411</b>
<b>Operating Income (Loss)</b>	<b>47,773,712</b>	<b>49,590,928</b>	<b>9,438,246</b>	<b>45,981,540</b>	<b>15,803,834</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Federal Revenue	61,068,000	59,564,289	72,591,901	72,380,441	71,226,805
Other Benefit Payments	-	(490,000)	(1,438,000)	(1,877,077)	-
Other Nonoperating Revenues (Expenses)	(9,320,824)	(19,022,019)	(26,000,295)	(14,062,499)	(9,989,440)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>51,747,176</b>	<b>40,052,270</b>	<b>45,153,606</b>	<b>56,440,865</b>	<b>61,237,365</b>
<b>Income/(Loss) before Other Revenues, Expenses, Gains/Losses and Transfers</b>	<b>99,520,888</b>	<b>89,643,199</b>	<b>54,591,851</b>	<b>102,422,405</b>	<b>77,041,199</b>
<b>OTHER REVENUES, EXPENSES, GAINS/LOSSES AND TRANSFERS:</b>					
Transfers-In	109,207	-	-	-	-
<b>Total Other Revenues, Expenses, Gain/Losses and Transfers</b>	<b>109,207</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>99,630,095</b>	<b>89,643,199</b>	<b>54,591,851</b>	<b>102,422,405</b>	<b>77,041,199</b>
Total Net Position - September 1	2,565,379,172	2,665,009,267	2,754,652,466	2,809,244,317	2,911,666,722
<b>Total Net Position - August 31</b>	<b>\$ 2,665,009,267</b>	<b>\$ 2,754,652,466</b>	<b>\$ 2,809,244,317</b>	<b>\$ 2,911,666,722</b>	<b>\$ 2,988,707,921</b>

*Numbers may not add due to rounding*

<sup>1</sup> The financial data presented here is a recapitulation of the Board's financial statements presented in their Annual Financial Reports. The Board's financial statements become a part of the 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.

**Statement of Net Position - DWSRF**  
**UNAUDITED<sup>1</sup>**

	2017	2018	2019	2020	2021
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents:					
Cash Equivalents	\$ 67,430,544	\$ 93,862,299	\$ 196,143,115	\$ 122,174,461	\$ 116,622,300
Short Term Investments	220,189,872	167,295,138	240,693,894	152,995,782	186,474,942
Receivables from:					
Federal	9,418,439	2,127,596	2,263,458	2,161,848	2,669,143
Interest and Dividends	15,933,165	18,232,611	5,370,863	4,751,523	4,764,894
Loans and Contracts	55,591,580	68,490,150	56,220,965	64,466,335	73,098,401
<b>Total Current Assets</b>	<b>368,563,600</b>	<b>350,007,794</b>	<b>500,692,294</b>	<b>346,549,949</b>	<b>383,629,680</b>
Non-Current Assets:					
Loans and Contracts	948,641,203	1,088,550,236	1,196,692,823	1,546,631,195	1,621,600,042
Investments	-	-	22,142,878	-	-
<b>Total Non-Current Assets</b>	<b>948,641,203</b>	<b>1,088,550,236</b>	<b>1,218,835,701</b>	<b>1,546,631,195</b>	<b>1,621,600,042</b>
<b>Total Assets</b>	<b>\$ 1,317,204,803</b>	<b>\$ 1,438,558,030</b>	<b>\$ 1,719,527,995</b>	<b>\$ 1,893,181,144</b>	<b>\$ 2,005,229,722</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Payables from:					
Accounts Payable	\$ -	\$ -	\$ 4,479	\$ -	\$ 97,768
Interest Payable	-	1,024,861	1,064,383	1,392,521	1,338,988
Interfund Payables	9,166,969	9,916,813	9,850,792	9,623,536	84,308,009
Due to Other Funds	-	-	752,160	526,363	616,053
Due to Other Agencies	1,867,515	2,127,596	1,945,162	2,020,832	2,306,090
Revenue Bonds Payable	-	2,645,523	12,820,638	18,273,506	18,918,506
<b>Total Current Liabilities</b>	<b>11,034,484</b>	<b>15,714,793</b>	<b>26,437,614</b>	<b>31,836,758</b>	<b>107,585,414</b>
Non-Current Liabilities:					
Interfund Payable	84,191,737	82,964,256	73,113,464	63,489,928	54,181,920
Revenue Bonds Payable	-	67,140,576	291,568,426	393,185,114	374,266,608
<b>Total Non-Current Liabilities</b>	<b>84,191,737</b>	<b>150,104,832</b>	<b>364,681,890</b>	<b>456,675,043</b>	<b>428,448,528</b>
<b>Total Liabilities</b>	<b>\$ 95,226,221</b>	<b>\$ 165,819,625</b>	<b>\$ 391,119,503</b>	<b>\$ 488,511,800</b>	<b>\$ 536,033,942</b>
<b>NET POSITION</b>					
Restricted for:					
Other	1,221,978,581	1,272,738,405	1,328,408,492	1,404,669,344	1,469,195,780
<b>Total Net Position</b>	<b>\$ 1,221,978,581</b>	<b>\$ 1,272,738,405</b>	<b>\$ 1,328,408,492</b>	<b>\$ 1,404,669,344</b>	<b>\$ 1,469,195,780</b>

*Numbers may not add due to rounding*

<sup>1</sup> The financial data presented here is a recapitulation of the Board's financial statements presented in their Annual Financial Reports. The Board's financial statements become a part of the 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.

**Statement of Revenues, Expenses, and Changes in Net Position - DWSRF**  
**UNAUDITED<sup>1</sup>**

	2017	2018	2019	2020	2021
<b>OPERATING REVENUES:</b>					
Interest and Investment Income	\$ 19,037,055	\$ 23,154,583	\$ 13,698,732	\$ 23,371,377	\$ 18,992,213
Net Increase (Decrease) Fair Market Value	(62,067)	16,230	150,091	(9,388)	(129,435)
Other Operating Revenues	3,922,151	4,689,948	3,852,946	9,951,736	3,110,038
<b>Total Operating Revenues</b>	<b>22,897,138</b>	<b>27,860,761</b>	<b>17,701,769</b>	<b>33,313,726</b>	<b>21,972,815</b>
<b>OPERATING EXPENSES:</b>					
Salaries and Wages	1,864,392	1,991,578	2,728,847	2,748,114	2,662,428
Payroll Related Costs	329,990	353,240	519,398	485,052	484,450
Professional Fees and Services	57,095	401,588	1,435,446	774,835	367,835
Travel	19,648	20,820	32,790	15,344	211
Materials and Supplies	2,296	1,622	2,674	2,254	5,238
Communication and Utilities	16,147	9,732	12,127	11,713	14,785
Repairs and Maintenance	190	220	38	-	1,142
Rentals and Leases	28,590	23,790	28,803	29,153	29,246
Printing and Reproduction	-	308	2,091	442	-
Interest	4,332,941	4,683,422	9,093,255	13,937,539	15,751,460
Other Operating Expenses	11,339	8,308	23,220	11,067	4,151
<b>Total Operating Expenses</b>	<b>6,662,628</b>	<b>7,494,627</b>	<b>13,878,689</b>	<b>18,015,514</b>	<b>19,320,946</b>
<b>Operating Income (Loss)</b>	<b>16,234,510</b>	<b>20,366,134</b>	<b>3,823,080</b>	<b>15,298,212</b>	<b>2,651,869</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Federal Revenue	100,892,987	55,863,547	81,895,330	87,639,798	85,594,100
Federal Grant Pass-Through Revenue (Expense)	(9,603,564)	(8,711,145)	(9,656,777)	(11,005,152)	(11,490,518)
Other Benefit Payments	(2,933,300)	(175,879)	(3,584,485)	(2,036,573)	-
Other Intergovernmental Payments	(7,059,183)	(18,919,005)	(19,143,232)	(15,971,604)	(14,565,187)
Other Nonoperating Revenues (Expenses)	2,336,171	-	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>83,633,110</b>	<b>28,057,519</b>	<b>49,510,836</b>	<b>58,626,469</b>	<b>59,538,396</b>
<b>Income/(Loss) before Other Revenues, Expenses, Gains/Losses and Transfers</b>	<b>99,867,620</b>	<b>48,423,652</b>	<b>53,333,916</b>	<b>73,924,681</b>	<b>62,190,265</b>
<b>OTHER REVENUES, EXPENSES, GAINS/LOSSES AND TRANSFERS:</b>					
Transfers-In	-	2,336,171	2,336,171	2,336,171	2,336,171
<b>Total Other Revenues, Expenses, Gain/Losses and Transfers</b>	<b>-</b>	<b>2,336,171</b>	<b>2,336,171</b>	<b>2,336,171</b>	<b>2,336,171</b>
<b>Change in Net Position</b>	<b>99,867,620</b>	<b>50,759,823</b>	<b>55,670,087</b>	<b>76,260,852</b>	<b>64,526,436</b>
Total Net Position - September 1	1,122,110,961	1,221,978,581	1,272,738,405	1,328,408,492	1,404,669,344
<b>Total Net Position - August 31</b>	<b>\$ 1,221,978,581</b>	<b>\$ 1,272,738,405</b>	<b>\$ 1,328,408,492</b>	<b>\$ 1,404,669,344</b>	<b>\$ 1,469,195,780</b>

*Numbers may not add due to rounding*

<sup>1</sup> The financial data presented here is a recapitulation of the Board's financial statements presented in their Annual Financial Reports. The Board's financial statements become a part of the 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 H**

**DESCRIPTION OF BOOK-ENTRY-ONLY SYSTEM**



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## BOOK-ENTRY-ONLY SYSTEM

*This appendix describes how ownership of the Series 2022 Bonds (referred to as the "Bonds" in this Appendix H) is to be transferred and how the principal of premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as the Official Statement. The Board, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but none of the Board, the Financial Advisor nor the Underwriters take any responsibility for the accuracy or completeness thereof.*

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

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("*Beneficial Owner*") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

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

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

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

