



## **FINANCING AGREEMENT**

This FINANCING AGREEMENT (Agreement) is entered into between the TEXAS WATER DEVELOPMENT BOARD (TWDB), an agency of the State of Texas, and the CITY OF CORPUS CHRISTI (Borrower). The TWDB and the Borrower may be referred to as the "Parties" in this Agreement.

### **RECITALS**

WHEREAS, the TWDB adopted Resolution No. 17-074 (Attachment A, referred to as the Resolution) on July 20, 2017, making a commitment to the Borrower for financial assistance in the amount of \$2,750,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT) administered by the TWDB; and

WHEREAS, through this Agreement, the Borrower intends to sell to the TWDB the Borrower's \$2,750,000 City of Corpus Christi, Texas Utility System Junior Lien Revenue Improvement Bonds, Proposed Series 2017 (Borrower Bonds) for the TWDB's financial assistance from the SWIRFT, as further described in Attachment B; and

WHEREAS, the SWIRFT is funded, in part, with proceeds of the expected issuance of TWDB's revenue bonds (SWIRFT Bonds), in an estimated par amount not to exceed \$1,208,235,000, issued under authority of Texas Water Code §§ 15.472 and 15.475, and Texas Constitution, Article III, Section 49-d-13; and

WHEREAS, the SWIRFT Bonds are additionally secured by money made available under the terms of a bond enhancement agreement executed under authority of Texas Water Code §§ 15.434 and 15.435, and Texas Constitution, Article III, Section 49-d-12; and

WHEREAS, the SWIRFT is funded, in part, with money received as repayment of financial assistance provided from the SWIRFT, under Texas Water Code § 15.472, which is used to pay the principal and interest on the SWIRFT Bonds, under Texas Water Code § 15.474, and Texas Constitution, Article III, Section 49-d-13(d) and (f); and

WHEREAS, the Resolution provides that funding the commitment is contingent on a future sale of SWIRFT Bonds designated by the TWDB; and

WHEREAS, the TWDB intends to provide financial assistance from the SWIRFT to the Borrower with proceeds of SWIRFT Bonds designated by the TWDB; and

WHEREAS, the TWDB and the Borrower desire to enter into this Agreement to set forth the obligations of the Parties with respect to the TWDB providing financial assistance to the Borrower consistent with the desire of the TWDB to issue SWIRFT Bonds to provide money for the SWIRFT.

NOW, THEREFORE, for and in consideration of the promises and the mutual covenants contained in this Agreement, the TWDB and the Borrower agree as follows:

### AGREEMENT

SECTION 1. MUTUAL COMMITMENTS. As further described in the Resolution, the TWDB committed to the Borrower and the Borrower commits to borrow from the TWDB an amount not to exceed \$2,750,000 from the SWIRFT to be evidenced by the issuance and delivery of Borrower Bonds to the TWDB consistent with the terms and conditions described in this Agreement, Attachment A, Attachment B, and Attachment C.

SECTION 2. TRANSACTION SCHEDULE AND PRICING. By execution of this Agreement, the Borrower acknowledges and represents that it has a current need for financial assistance from the TWDB and shall take all necessary steps to issue and deliver the Borrower Bonds to evidence the commitment described in Section 1. The Borrower further acknowledges and understands that the TWDB is entering into this Agreement for the sole purpose of issuing SWIRFT Bonds to fund the TWDB commitment described in the Resolution and in this Agreement.

With respect to the Borrower Bonds and the SWIRFT Bonds, the Parties agree to structure such public securities in a manner that will allow for substantially similar terms, redemption provisions, and related matters to allow the TWDB to timely pay the debt service on the SWIRFT Bonds. The foregoing notwithstanding, the TWDB consents to early redemption, or prepayment of the Borrower Bonds, as provided for in this Agreement and the Resolution. The Borrower Bonds may be prepaid by the Borrower on any date beginning on or after the first scheduled interest payment date that occurs no earlier than 10 years from the dated date of the Borrower Bonds. To confirm the terms of the Borrower Bonds and SWIRFT Bonds, the Borrower shall execute this Agreement.

In order to mutually assure the performance of the Parties under this Agreement, the Parties agree that the issuance and delivery of the SWIRFT Bonds and the issuance and delivery of the Borrower Bonds to TWDB shall occur not more than forty-nine (49) days

apart as reflected in Attachment C. Notwithstanding the foregoing, it is the intent and expectation of the Parties that the TWDB issue and deliver its SWIRFT Bonds approximately thirty (30) days after execution of the TWDB's Bond Purchase Agreement or such date as may be mutually agreed to in Attachment C.

SECTION 3. BINDING COMMITMENT. The TWDB agrees to take all necessary steps to issue the SWIRFT Bonds for the purposes described in this Agreement and in the Resolution upon receipt of this Agreement, which shall be signed and delivered by the Borrower to the Executive Administrator of the TWDB at least fourteen (14) days prior to the initiation of the pricing of the SWIRFT Bonds, as set forth in Attachment C. The Borrower acknowledges that the schedule provided in Attachment C is a best estimate by the TWDB and is subject to change. The TWDB expressly reserves the right to modify Attachment C at any time and shall provide the Borrower with an updated Attachment C as soon as practicable upon any modifications; provided that if such modification of Attachment C occurs prior to the initiation of pricing of the SWIRFT Bonds and such modification results in an earlier scheduled pricing date, no such modification of Attachment C may result in the Borrower having fewer than ten (10) days between the receipt of the modified schedule and the initiation of pricing of the SWIRFT Bonds.

SECTION 4. TERMINATION & BREACH OF AGREEMENT.

- A. The Parties agree that the Borrower may terminate this Agreement in writing at any time prior to seven (7) days before the initiation of the pricing of the SWIRFT Bonds, as set forth in Attachment C, with no penalty.
- B. The Borrower understands and agrees that the Borrower may terminate this Agreement in writing between seven (7) days and four (4) days prior to the initiation of the pricing of the SWIRFT Bonds (currently estimated to occur on September 26, 2017) as set forth in Attachment C, provided the Borrower agrees to reimburse the TWDB from lawfully available funds of the Borrower for its proportional share of transaction costs incurred by the TWDB, such as, but not limited to, any fees or costs related to any rating agency, financial advisor, legal counsel, or other similar party or related costs pertaining to the SWIRFT Bonds in an amount not to exceed \$2,070.28. The Borrower shall be obligated to pay such costs to the TWDB no later than March 2, 2018.
- C. The Borrower understands and agrees that the Borrower may terminate this Agreement in writing within three (3) days prior to the initiation of the pricing of the SWIRFT Bonds as set forth in Attachment C and no later than 9:00 am Central Standard Time on the day before the TWDB Bond Pricing, provided the Borrower

agrees to pay 1.0 percent of the amount of the commitment authorized in Section 1 of this Agreement to the TWDB, and additionally shall reimburse the TWDB from lawfully available funds of the Borrower for its proportional share of transaction costs incurred by the TWDB, such as, but not limited to, any fees or costs related to any rating agency, financial advisor, legal counsel, or other similar party or related costs pertaining to the SWIRFT Bonds in an amount not to exceed \$29,570.28. The Borrower shall be obligated to pay such costs to the TWDB no later than March 2, 2018.

- D. Upon execution of the Bond Purchase Agreement relating to the SWIRFT Bonds, the Borrower understands and agrees that TWDB would suffer and incur severe and irreparable damages if the SWIRFT Bonds are not issued and delivered according to the terms of such Bond Purchase Agreement. Accordingly, on or after the day of the execution of the Bond Purchase Agreement, the Borrower shall not have the right to terminate this Agreement. If Borrower fails to issue the Borrower Bonds by the date specified in Attachment C, as contemplated in this Agreement, it shall be a breach of this Agreement and the Borrower shall pay a "Post-pricing Termination Payment" to the TWDB within thirty (30) days after the TWDB provides written notice that such amounts are due. The Post-pricing Termination Payment shall be an amount equal to 5.0 percent of the amount of the commitment authorized in Section 1 of this Agreement. The Borrower shall also reimburse the TWDB from lawfully available funds of the Borrower for its proportional share of transaction costs incurred by the TWDB, such as, but not limited to, any fees or costs related to any rating agency, financial advisor, legal counsel, underwriter's discount, or other similar party or related costs pertaining to the SWIRFT Bonds in an amount not to exceed \$153,466.87. The Borrower shall be obligated to make such payment to the TWDB no later than March 2, 2018.

SECTION 5. AMORTIZATION STRUCTURE. The Borrower shall provide the TWDB a maturity schedule in the form set forth in Attachment B at the time of execution of this Agreement. A final amortization structure will be required at least fourteen (14) days before the initiation of pricing of the SWIRFT Bonds in accordance with the provisions of this Agreement. The par amounts included in Attachment B may be revised at any time prior to the seventh (7th) day before the initiation of pricing of the SWIRFT Bonds with no penalty. On or after the seventh (7th) day before the initiation of pricing of the SWIRFT Bonds, the Borrower understands and agrees that the Borrower may only modify, in writing, the interest rates included on Attachment B to include final rates as provided by the Executive Administrator in accordance with 31 Texas Administrative Code § 363.1306.

## SECTION 6. CONTINGENCIES.

- A. The Parties agree that the TWDB's obligation to purchase the Borrower's securities with the SWIRFT is contingent upon the TWDB receiving all legally required approvals for the issuance of the SWIRFT Bonds, and the purchase and delivery of the SWIRFT Bond proceeds by the underwriters pursuant to the Bond Purchase Agreement relating to the SWIRFT Bonds.

Accordingly, if any contingency described in the preceding paragraph above is unmet, the TWDB, upon delivery of written notice thereof to the Borrower, may extend or terminate this Agreement together with all of its obligations and duties hereunder without incurring any cost, fee, or penalty for either the TWDB or the Borrower.

- B. The Parties agree that the Borrower's obligation to issue and deliver the Borrower Bonds is contingent upon approval by the Texas Attorney General of the Borrower Bonds. The Borrower agrees to use its best efforts to obtain approval by the Texas Attorney General of the Borrower Bonds to satisfy the closing requirements set forth in Section 2 of this Agreement. To this end, the Borrower agrees as follows:

- (1) Borrower shall timely submit the transcript of proceedings for the Borrower Bonds to the Texas Attorney General in accordance with the schedule contained in Attachment C;
- (2) Borrower shall comply with the requirements and conditions contained in the Resolution;
- (3) Borrower shall provide the TWDB with a copy of the preliminary approval letter from the Texas Attorney General promptly upon receipt;
- (4) Borrower shall provide the TWDB with a copy of its responses to the preliminary approval letter concurrently with the submission of such responses to the Texas Attorney General; and
- (5) Borrower shall allow TWDB to brief the Texas Attorney General on any issues noted in the preliminary approval letter and initiate or participate in conferences with the Texas Attorney General related to the approval of the Borrower Bonds.

Accordingly, if, after the Borrower employs its best efforts to obtain approval by the Texas

Attorney General, and such approval cannot be obtained within six (6) days of the proposed closing date on the Borrower Bonds, as a matter of law, this Agreement is terminated and the Borrower shall pay, from any of its lawfully available funds, the Post-pricing Termination Payment and any proportional share of transaction costs, fees, and expenses incurred by the TWDB, such as, but not limited to, any fees or costs related to any rating agency, financial advisor, legal counsel, underwriter's discount, or other similar party or related costs pertaining to the SWIRFT Bonds as provided by Section 4.D. The Borrower shall be obligated to pay such costs to the TWDB no later than March 2, 2018.

SECTION 7. REDEMPTION OF OUTSTANDING DEBT. If proceeds of the \$2,750,000 in financial assistance are to be used, in whole or in part, to redeem outstanding bonds, commercial paper, or other obligations issued by the Borrower, the Borrower agrees that it will not take or fail to take any action that will cause the SWIRFT Bonds to be considered to be advance refunding bonds under Section 148 of the Internal Revenue Code of 1986, as amended. Specifically, the Borrower agrees to redeem any such outstanding bonds, commercial paper, or other obligations within ninety (90) days of the date of delivery of the SWIRFT Bonds and to take such other action as shall be required to comply with this Section.

SECTION 8. NOTICES. All notices, agreements or other communications required hereunder shall be given, and shall be deemed given, when delivered in writing to the address, facsimile or email of the identified party or Parties set forth below:

Texas Water Development Board Development Fund Manager P.O. Box 13231 Austin, Texas 78711-3231 Telephone: (512) 475-4584 Facsimile: (512) 475-2053	City of Corpus Christi Attn: Water Resource Manager P.O. Box 9277 Corpus Christi, Texas 78469-0277 Telephone (361) 826-3294 Facsimile (361) 826-3815 E-mail: EstabanR2@cctexas.com
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SECTION 9. SEVERABILITY. In the event any provision of this Agreement shall be held illegal, invalid, or unenforceable by any court of competent jurisdiction, such holding shall not invalidate, render unenforceable, or otherwise affect any other provisions hereof.

SECTION 10. AMENDMENTS, SUPPLEMENTS, AND MODIFICATIONS. Other than the changes allowed under Section 3 and Section 5, this Agreement may be amended, supplemented, or modified only in a writing executed by duly authorized representatives of the Parties.

SECTION 11. APPLICABLE LAW. This Agreement and any amendments shall be governed by and construed in accordance with the laws of the State of Texas.

SECTION 12. STATE AUDIT. By executing this Agreement and delivering the Borrower Bonds, the Borrower accepts the authority of the Texas State Auditor's Office to conduct audits and investigations in connection with all state funds received pursuant to this Agreement. The Borrower shall comply with any directive from the Texas State Auditor and shall cooperate in any such investigation or audit. The Borrower agrees to provide the Texas State Auditor with access to any information the Texas State Auditor considers relevant to the investigation or audit. The Borrower also agrees to include a provision in any contract or subcontract related to this Agreement that requires the contractor and the subcontractor to submit to audits and investigations by the Texas State Auditor's Office in connection with any state funds received pursuant to the contract or subcontract.

SECTION 13. FORCE MAJEURE. Either party may be excused from performance under this contract for any period when performance is prevented as the result of an act of God, strike, war, civil disturbance, epidemic, or court order, provided that the party experiencing the event of Force Majeure has prudently and promptly acted to take any and all steps that are within the party's control to ensure performance and to shorten the duration of the event of Force Majeure. The party suffering an event of Force Majeure shall provide notice of the event to the other party as soon as practicable but not later than five business days after the event. Subject to this provision, such nonperformance shall not be deemed a default or a ground for termination.

SECTION 14. EFFECTIVE DATE. This Agreement shall be effective as of the date of the last signature below.

SECTION 15. BINDING AGREEMENT. The execution of this Agreement has been authorized by the governing boards of both Parties. The respective commitments of the TWDB and the Borrower set forth above shall be binding upon the TWDB and the Borrower upon both Parties' execution of this Agreement.

EXECUTED in multiple counterparts, each of which shall be deemed to be an original.

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CITY OF CORPUS CHRISTI

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

Name: the Hon. Joe McComb

Title: Mayor

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

STATE OF TEXAS

COUNTY OF \_\_\_\_\_

This instrument was acknowledged before me on the \_\_\_\_ day of \_\_\_\_\_, 2017,  
by \_\_\_\_\_ in his/her capacity as \_\_\_\_\_, on behalf of  
\_\_\_\_\_.

(SEAL)

\_\_\_\_\_  
Notary Public, State of Texas



**TEXAS WATER DEVELOPMENT BOARD**

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

Name: Jeff Walker

Title: Executive Administrator

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

STATE OF TEXAS

COUNTY OF TRAVIS

This instrument was acknowledged before me on the \_\_\_\_ day of \_\_\_\_\_, 2017,  
by Jeff Walker in his capacity as Executive Administrator of the Texas Water Development  
Board, an agency of the State of Texas, on behalf of said agency.

(SEAL)

\_\_\_\_\_  
Notary Public, State of Texas

ATTACHMENT A

TWDB RESOLUTION NO. 17-074

**A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF \$2,750,000 TO  
THE CITY OF CORPUS CHRISTI  
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS  
THROUGH THE PROPOSED PURCHASE OF  
\$2,750,000 CITY OF CORPUS CHRISTI, TEXAS UTILITY SYSTEM JUNIOR LIEN REVENUE  
IMPROVEMENT BONDS, PROPOSED SERIES 2017**

**(17-074)**

WHEREAS, the City of Corpus Christi (City) has filed an application for financial assistance in the amount of \$2,750,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT) to finance the planning of certain water supply project(s) identified as Project No. 51052 (Project); and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$2,750,000 City of Corpus Christi, Texas Utility System Junior Lien Revenue Improvement Bonds, Proposed Series 2017 (together with all authorizing documents (Obligations)), all as is more specifically set forth in the application and in recommendations of the Executive Administrator's staff; and

WHEREAS, the City has offered a pledge of a junior lien on revenues of the utility system as sufficient security for the repayment of the Obligations; and

WHEREAS, interest rate subsidies are available to the City at the following levels: 35% for a term of 20 years, 25% for a term of 21 to 25 years, and 20% for a term of 26 to 30 years. The interest rate subsidy applicable to each proposed series will be set through each financing agreement executed between the TWDB and the City, pursuant to this Resolution; and

WHEREAS, these interest rate subsidies given above are based on assumptions necessary to generate an optimum debt service structure for the anticipated TWDB SWIRFT bond issuance, and are subject to modification as necessary to preserve and maintain the integrity of the SWIRFT Program; and

WHEREAS, the TWDB hereby finds:

1. that the application and assistance applied for meet the requirements of Texas Water Code, Chapter 15, Subchapters G and H and 31 TAC Chapter 363, Subchapters A and M;
2. that the Project is a recommended water management strategy project in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a);
3. that a water conservation plan has been submitted and implemented in accordance with Texas Water Code § 11.1271 and 31 TAC § 363.1309(b)(1);

4. that the City satisfactorily completed all requests by the Executive Administrator or a regional planning group for information relevant to the Project, including a water infrastructure financing survey under Texas Water Code § 16.053(q), in accordance with 31 TAC § 363.1309(b)(2);
5. that the current water audit has been completed by the City and filed with the TWDB in accordance with Texas Water Code § 16.0121 and 31 TAC § 358.6; and
6. that the City has acknowledged its legal obligation to comply with any applicable requirements of federal law relating to contracting with disadvantaged business enterprises and any applicable state law relating to contracting with historically underutilized businesses, in accordance with Texas Water Code § 15.435(h) and 31 TAC § 363.1309(b)(3).

NOW THEREFORE, based on these findings, the TWDB resolves as follows:

A commitment is made by the TWDB to the City of Corpus Christi for financial assistance in the amount of \$2,750,000 from the State Water Implementation Revenue Fund for Texas, to be evidenced by the TWDB's proposed purchase of \$2,750,000 City of Corpus Christi, Texas Utility System Junior Lien Revenue Improvement Bonds, Proposed Series 2017. This commitment will expire on December 31, 2017.

Such commitment is conditioned as follows:

Standard Conditions:

1. this commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand;
2. this commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that the City has complied with all of the requirements of the laws under which said Obligations were issued; that said Obligations were issued in conformity with the Constitution and laws of the State of Texas; and that said Obligations are valid and binding obligations of the City;
3. this commitment is contingent upon the City's continued compliance with all applicable laws, rules, policies and guidance as these may be amended from time to time to adapt to a change in law, in circumstances, or any other legal requirement;
4. this commitment is contingent upon the City executing a separate financing agreement, approved as to form and substance by the Executive Administrator, and submitting that executed agreement to the TWDB consistent with the terms and conditions described in the financing agreement;

5. the City shall use a paying agent/registrar in accordance with 31 TAC § 363.42(c)(2), and shall require the paying agent/registrar to provide a copy of all receipts documenting debt service payments to the TWDB and to the TWDB's designated Trustee;

The Following Conditions Must Be Included in the Obligations:

6. the Obligations must provide that the Obligations can be called for early redemption only in inverse order of maturity, on any date beginning on or after the first interest payment date that is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption;
7. the Obligations must include a provision wherein the City, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the City's Obligations or obligated persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by Securities and Exchange Commission (SEC) in 17 CFR § 240.15c2-12 (Rule 15c2-12) and determined as if the TWDB were a Participating Underwriter within the meaning of such rule, such continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the City's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the City is an obligated person with respect to such bonds under SEC Rule 15c2-12;
8. the Obligations must contain a provision requiring the City to levy a tax and/or maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations;
9. the Obligations must include a provision requiring the City to use any loan proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the Project for the following purposes as approved by the Executive Administrator: (1) deposit into the Interest and Sinking Fund or other debt service account for the payment of interest or principal on the Obligations owned by the TWDB; or (2) eligible costs for the Project as authorized by the Executive Administrator;
10. the Obligations must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect;
11. loan proceeds are public funds and, as such, the Obligations must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257;

12. loan proceeds shall not be used by the City when sampling, testing, removing or disposing of contaminated soils and/or media at the Project site. The Obligations shall include an environmental indemnification provision wherein the City agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment, recycling and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the City, its contractors, consultants, agents, officials and employees as a result of activities relating to the Project to the extent permitted by law;
13. the Obligations must include a provision stating that the City shall report to the TWDB the amounts of Project funds, if any, that were used to compensate historically underutilized businesses that worked on the Project, in accordance with 31 TAC § 363.1312;
14. the Obligations must contain a provision that the TWDB will purchase the Obligations, acting through the TWDB's designated Trustee, and the Obligations shall be registered in the name of Cede & Co. and closed in book-entry form in accordance with 31 TAC § 363.42(c)(1);

**Tax-exempt Conditions:**

15. the Obligations must include a provision prohibiting the City from using the proceeds of this loan in a manner that would cause the Obligations to become "private activity bonds" within the meaning of § 141 of the Internal Revenue Code as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);
16. the Obligations must provide that no portion of the proceeds of the loan will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of § 148(a) of the Code and Regulations, including to acquire or to replace funds that were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) that produce a yield materially higher than the yield on the TWDB's bonds that are issued to provide financing for the loan (Source Series Bonds), other than Nonpurpose Investments acquired with:
  - a. proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;
  - b. amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the Regulations; and
  - c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations;

17. the Obligations must include a provision requiring the City take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of § 148 of the Code. The Obligations must provide that the City will:
  - a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures, and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and retain all records of such accounting for at least six years after the final Computation Date. The City may, however, to the extent permitted by law, commingle Gross Proceeds of its financing with other money of the City, provided that the City separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;
  - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its loan, not less frequently than each Computation Date, in accordance with rules set forth in § 148(f) of the Code, § 1.148-3 of the Regulations, and the rulings thereunder. The City shall maintain a copy of such calculations for at least six years after the final Computation Date;
  - c. as additional consideration for the making of the loan, and in order to induce the making of the loan by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners thereof for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date;
  - d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by the Regulations;
18. the Obligations must include a provision prohibiting the City from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes;
19. the Obligations must provide that the City will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of § 149(b) of the Code;
20. the Obligations must provide that neither the City nor a related party thereto will acquire any of the TWDB's Source Series Bonds in an amount related to the amount of the Obligations to be acquired from the City by the TWDB;

21. the Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal monthly installments over twenty-four (24) months following the expiration of the deferral period;
22. if the City has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after the term of any loan(s) made by the TWDB pursuant to this commitment, the Obligations must contain a provision providing that the lien or liens securing the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations;
23. the Obligations must contain a provision providing that additional Junior Lien Obligations may be incurred only if the City has secured a certification of the City Manager to the effect that, according to the books and records of the City, the Net Earnings for the preceding Fiscal Year or for 12 consecutive months out of the 15 months immediately preceding the month the ordinance authorizing the additional junior lien obligations is adopted are at least equal to 1.15 times the Average Annual debt service requirements for all then-outstanding priority bonds and junior lien obligations after giving effect to the additional junior lien obligations then proposed;

Conditions to Close or for Release of Funds:

24. prior to closing, if not previously provided with the application, the City shall submit executed contracts for engineering, and, if applicable, financial advisor and bond counsel, for the Project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator;
25. prior to closing, when any portion of financial assistance is to be held in escrow or in trust, the City shall execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;
26. prior to closing, the City's bond counsel must prepare a written opinion that states that the interest on the Obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the City when rendering this opinion;
27. prior to closing, the City's bond counsel must prepare a written opinion that states that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the City when rendering this opinion;
28. the transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the City's reasonable expectations regarding the use, expenditure and investment of the proceeds of the Obligations;



29. the transcript must include evidence that the information reporting requirements of § 149(e) of the Internal Revenue Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information reporting requirements of § 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply;

PROVIDED, however, the commitment is subject to the following special conditions:

30. the Obligations must contain a provision requiring the City to submit quarterly status reports on the progress of the Project that detail information requested by the Executive Administrator. The Executive Administrator may withhold authorization to release funds from escrow or adjust the amount of funds to be released from escrow based on the receipt of the quarterly status reports and the projected quarterly needs for the Project.

APPROVED and ordered of record this, the 20th day of July, 2017.

TEXAS WATER DEVELOPMENT BOARD



Bech K. Bruun, Chairman

DATE SIGNED: 7-20-17

ATTEST:



Jeff Walker  
Executive Administrator

## ATTACHMENT B

### DESCRIPTION OF BORROWERS BONDS

Title of Borrower Bonds:	City of Corpus Christi, Texas Utility System Junior Lien Revenue Bonds, Series 2017
Project Name:	Seawater Desalination
Project Number:	51052
Aggregate Principal Amount of Borrowers Bonds:	\$2,750,000
Anticipated Closing Date:	November 2, 2017
Dated Date:	October 1, 2017
First Principal Payment Date:	July 15, 2025
First Interest Payment Date:	July 15, 2025

Maturity:  
7/15/2025

Principal Amount  
2,750,000

# ATTACHMENT C

## FINANCING SCHEDULE

DATE	ACTION
<b>07/20/2017</b>	<b>TWDB approval of commitments</b>
09/04/2017	<i>Labor Day Holiday</i>
<b>09/11/2017</b>	<b><i>Financing agreement – last day to execute (14 days prior to initiation of pricing)</i></b>
09/18/2017	Financing agreement (Sec. 4A) -last day political subdivisions can terminate without penalty (7 days prior to initiation of pricing)
09/18/2017	Financing agreement (Sec. 5) -last day political subdivisions can modify maturity schedule. (7 days prior to initiation of pricing)
09/21/2017	Financing agreement (Sec. 4B) -last day political subdivisions can terminate with costs of issuance (4 days prior to initiation of pricing)
09/25/2017	Financing agreement (Sec. 4C) -before 9:00 a.m. political subdivisions can terminate with costs of issuance and 1% penalty (1 day prior to pricing).
<b>09/25/2017</b>	<b>TWDB bond pricing initiation (pre-pricing begins)</b>
<b>09/26/2017</b>	<b>TWDB bond pricing</b>
10/05/2017*	TWDB approves interest rates available to political subdivisions
various	Political subdivisions adopt bond resolutions and/or board participation agreements
various	Political subdivisions submit transcripts to Texas Attorney General in preparation of closing
10/09/2017	<i>Columbus Day Holiday (TWDB open)</i>
10/12/2017	TWDB bond closing ( <i>political subdivisions must close within 49 days</i> )
10/13 to 11/30/2017	Closings on political subdivision obligations
11/10/2017	<i>Veteran's Day Holiday</i>
11/23/2017	<i>Thanksgiving Holiday</i>
11/24/2017	<i>Thanksgiving Holiday</i>
<b>11/30/2017</b>	<b>Last day to close on political subdivision obligations</b>
12/01/2017	Financing agreement (Sec. 4D and Sec. 6) penalty applied to any political subdivision failing to issue debt. Start of post-pricing termination payment period (includes costs of issuance and 5% penalty)
03/02/2018	Last due date for post-pricing termination payments

\*- Preliminary subject to change