

this Agreement. Upon successful completion of the plan to cure the conditions causing the SWO, the Corporation shall continue work to complete all obligations under this Agreement.

6.02. TERMINATION. The TWDB may terminate this Agreement in writing at any time. Upon receipt of a notice of termination, the Corporation shall immediately discontinue all work in connection with the performance of this Agreement and shall promptly cancel all existing orders or other financial commitments chargeable to funding provided pursuant to this Agreement, provided, however, that any costs for Eligible Expenses incurred prior to the receipt of such written notice by the Corporation shall be payable from the funding provided pursuant to this Agreement.

Within thirty days of the notice of termination, the Corporation shall submit a statement showing in detail the work performed, all payments received by the Corporation, and all payments made by or due from the Corporation to any contractor prior to the date of termination.

6.03. SURVIVAL OF TERMS AND CONDITIONS.

- A. Termination or expiration of this Agreement for any reason shall not release either Party from any liabilities or obligations set forth in this Agreement that:
 - 1. the Parties have expressly agreed shall survive any such termination or expiration, if any; or
 - 2. by their nature, would be intended to be applicable following any such termination or expiration.
- B. The Parties expressly agree that the following terms and conditions survive the termination or expiration of this Agreement.
 - 1. Article V, Sections 5.03, 5.04, 5.05, 5.07 and 5.08.
 - 2. Article VII, General Terms and Conditions.

6.04. REAL ESTATE. If the Corporation purchases real estate for the Project with Principal Forgiveness Funds and any of the real estate or portion of the real estate is not used for the Project, the Corporation shall repay to the TWDB the full amount of the Principal Forgiveness Funds for purchase of the real estate that is not used for the Project. Such amount shall be due and payable within 90 days after termination or expiration of this Agreement.

6.05. REMEDIES.

- A. The Corporation shall have all remedies available in law or equity.
- B. The TWDB shall have all remedies available in law or equity, including remedies available under Texas Water Code §§ 6.114 and 6.115.

ARTICLE VII. GENERAL TERMS AND CONDITIONS

7.01. INSURANCE AND INDEMNIFICATION.

- A. The Corporation shall at all times keep insured with a responsible insurance company or companies such portions of the Project as are customarily insured by political subdivisions in the State that operate like properties in similar locations under similar circumstances. The Corporation shall insure against risks, accidents, casualties or loss in an amount that is customarily carried by such municipalities and political subdivisions and is at least sufficient to protect the TWDB's interest in the Project.
- B. The Corporation is solely responsible for liability resulting from acts or omissions of the Corporation, its employees, contractors, or agents. The Corporation shall indemnify and hold the TWDB and the State harmless, to the extent that the Corporation may do so in accordance with State law.
- C. Principal Forgiveness proceeds shall not be used by the Corporation when sampling, testing, removing or disposing of contaminated soils and/or media at the project site. The Corporation 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 and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the Corporation, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law.

7.02. PERMITS. The Corporation shall be responsible for timely filing applications for all licenses, permits, registrations and other authorizations that the Corporation has identified in the application for financial assistance as required for the construction of the Project. The Corporation shall submit copies of all of these final licenses, permits, registrations and other authorizations issued by local, state and federal agencies to the TWDB within thirty (30) days of receipt from the issuing agency.

7.03. RECORDS. The Corporation shall comply with all terms and conditions relating to records of the Project as follows:

- A. Duty to Maintain Records. The Corporation shall maintain financial accounting records relating to the Project in accordance with Generally Accepted Accounting Principles. The Corporation shall also require its contractors to maintain financial accounting records consistent with Generally Accepted Accounting Principles and with State laws applicable to government accounting. All accounting and other financial documentation shall be accurate, current, and shall reflect recordation of the transactions at or about the time the transactions occurred;
1. Single Audit Act, 31 U.S.C. §§ 7501 - 7507. The Corporation shall comply with the Single Audit Act and with Office of Management and Budget (OMB) Circular A-133, ensuring an audit is conducted in accordance with OMB Circulars.
 2. Green Projects. If all or part of the Project is designated as a Green Project, then the Corporation shall maintain separate tracking of the expenses related to that Project or portion of the Project that has been designated as an approved Green Project.
- B. Duty to Retain Records. The Corporation shall retain all financial records and supporting documents and any other documents pertinent to the Project in accordance with the requirements of 31 TAC § 371.86, relating to Records Retention. The TWDB requires the Corporation to retain all records related to this Agreement for a period of three (3) years after the Obligations are paid.
- C. Public Records. The Corporation understands and agrees that all documents relating to this Agreement are subject to the Public Information Act, Texas Government Code, Chapter 552, and that such documents may not be withheld from public disclosure, except in accordance with law and with the rulings of the Texas Attorney General. The Corporation is required to make any information created or exchanged pursuant to this Agreement, and not otherwise excepted from disclosure under the Texas Public Information Act, available in a format that is accessible by the public at no additional charge. The Corporation shall promptly respond to a request by the TWDB for copies of any of the Corporation's records related to this Agreement; and
- D. Access to Records.
1. State Auditor. By executing this Agreement, the Corporation accepts the authority of the Texas State Auditor's Office to conduct audits and investigations in connection with all Principal Forgiveness Funds received pursuant to this Agreement. The Corporation shall comply with directives from the Texas State Auditor and shall cooperate in any such investigation or audit. The Corporation agrees to provide the Texas State Auditor with access to any information the Texas State Auditor considers relevant to the investigation or audit. The Corporation 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 all

Principal Forgiveness Funds received pursuant to the contract or subcontract.

2. TWDB, EPA, and Comptroller General of the United States. The Corporation agrees that the TWDB, the EPA, and the Comptroller General of the United States shall have full access to any books, documents, papers, and records which are related to the funds expended under this Agreement and that further these federal entities may audit, examine, copy excerpts, and make transcriptions of any such books, documents, papers, and records. The standards of administration, property management, audit procedures, procurement and financial management, and the records and facilities of the Corporation and its contractors are subject to audit and inspection by the TWDB and by the EPA and by any other authorized state or federal entity. All books, documents, papers, and records of the Corporation related to this Agreement shall be made available for audit, examination, excerpt, and transcription by the staff of the TWDB within a reasonable time after a request from the TWDB. The Corporation understands and agrees that the EPA's Regional Administrator may, after a thirty day written notice, review any records the Regional Administrator deems necessary to determine compliance with all requirements concerning the Principal Forgiveness Funds provided under this Agreement.

7.04. UPDATING INFORMATION. The Corporation shall provide the TWDB with updated information, reports, statements and certifications as requested by the Executive Administrator relating to the financial condition of the Corporation or the Project and the use of Principal Forgiveness Funds. The Corporation shall promptly notify the TWDB of any material change in the activities, prospects or conditions of the Corporation relating to the Project, or its ability to observe and perform its duties, covenants, obligations and agreements under this Principal Forgiveness Agreement.

7.05. FORCE MAJEURE. Unless otherwise provided, neither the Corporation nor the TWDB nor any agency of the State shall be liable to the other for any delay in or failure of performance of a requirement contained in this Agreement caused by *Force Majeure*. The existence of such causes of delay or failure shall extend the period of performance until after the causes of delay or failure have been removed provided the non-performing Party exercises all reasonable due diligence to perform. Each Party must inform the other in writing with proof of receipt within five (5) business days of the existence of such *Force Majeure* or otherwise waive this right as a defense.

7.06. NON-ASSIGNABILITY. The terms and conditions of the financial assistance provided by this Agreement may not be assigned, transferred, or subcontracted in any manner without the express written consent of the TWDB.

7.07. ENTIRE AGREEMENT AND AMENDMENT. This Agreement, which incorporates all attached Exhibits, constitutes the entire agreement between the Parties. This Agreement may be amended only in writing signed by the Parties. The changes allowed under Section 4.01 do not require an amendment to this Agreement unless a change to the Project Schedule, **EXHIBIT E** or the Project Budget, **EXHIBIT F**, results in a different project completion date or total budget amount.

7.08. NO WAIVER. The failure of any Party to insist upon the strict performance of any of the terms, provisions, or conditions of this Agreement shall not be construed as a waiver or relinquishment for the future of the strict performance of any such term, provision, or condition or any other term, provision, or condition.

7.09. NO DEBT CREATED. Each Party agrees and understands that, by this Agreement, the State, acting through the TWDB, is not lending its credit or in any manner creating a debt on behalf of the State. To the extent that the Corporation is not securing the Obligations with ad valorem taxes, each Party agrees and understands that, pursuant to this Agreement, the Corporation is not lending its credit or in any other manner creating a debt on behalf of the Corporation.

7.10. LAW AND VENUE. The validity, operation, and performance of this Agreement shall be governed and controlled by the laws of the State of Texas and applicable federal regulations, and the terms and conditions of this Agreement shall be construed and interpreted in accordance with the laws of the State. The Parties understand and agree that this Agreement is for the provision of financial assistance for the planning, design, acquisition and construction of the Project and as such all or part of the performance of the terms and obligations of the Agreement will be performed in Nueces County, Texas. Notwithstanding the location of the Project, the Parties understand and agree that any proceeding brought for any breach of this Agreement involving the TWDB shall be in Travis County, Texas. This section does not waive the sovereign immunity of the State or the TWDB.


7.11. NOTICES. All notices, notifications, or requests required or permitted by this Agreement shall be in writing and shall be transmitted by personal delivery or transmitted by United States certified mail, return receipt requested, postage prepaid, to the addresses of the Parties shown below. Notice shall be effective when received by the Party to whom notice is sent.

Texas Water Development Board
Attn: Executive Administrator
Physical Address:
1700 N. Congress Ave., 6th Floor
Austin, Texas 78701-1496
Mailing Address:
P.O. Box 13231
Austin, Texas 78711-3231

River Acres Water Supply Corporation
Attn: Field Manager
Physical Address:
15602 Northwest Blvd Suite H
Robstown, Texas 78380-5932
Mailing Address:
15602 Northwest Blvd Ste H
Robstown, Texas 78380-5932

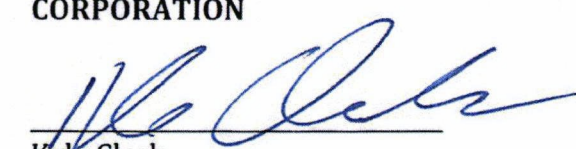
7.12. TERM. This Agreement is effective on the date signed by the Executive Administrator. The Agreement shall expire upon the successful completion of the Project and Final Accounting in accordance with Section 5.05 of this Agreement.

TEXAS WATER DEVELOPMENT BOARD



Jeff Walker
Executive Administrator
Date 9-11-18

RIVER ACRES WATER SUPPLY CORPORATION



Kyle Clark
President
Date 9/24/18

EXHIBIT A
TWDB Resolution No. 18-034

**A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO
RIVER ACRES WATER SUPPLY CORPORATION
IN THE FORM OF A MULTI-YEAR COMMITMENT
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
PROMISSORY NOTES IN THE AGGREGATE AMOUNT OF \$7,155,000 AND EXECUTION OF LOAN
AGREEMENTS IN 2018, 2019 AND 2020, WITH
\$623,400 IN PRINCIPAL FORGIVENESS**

(18-034)

WHEREAS, the River Acres Water Supply Corporation (Corporation), located in Nueces County, has filed an application for financial assistance in the amount of \$7,778,400 from the Drinking Water State Revolving Fund (DWSRF) to finance the construction of certain water system improvements identified as Project No. 62773; and

WHEREAS, the Corporation seeks financial assistance from the Texas Water Development Board (TWDB) in the form of a multi-year commitment through the TWDB's proposed purchase of Promissory Notes in the aggregate amount of \$7,155,000 and execution of Loan Agreements in 2018, 2019, and 2020, and \$623,400 in 2018 in principal forgiveness, all as is more specifically set forth in the application and in recommendations of the TWDB's staff; and

WHEREAS, the Corporation has offered a pledge of the net revenues of the Corporation's system as sufficient security for the repayment of the Obligations; and

WHEREAS, the TWDB hereby finds:

- 1. that the revenue and/or taxes pledged by the Corporation will be sufficient to meet all the Obligations assumed by the Corporation, in accordance with Texas Water Code § 15.607;**
- 2. that the application and assistance applied for meet the requirements of the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.*, as well as state law, in accordance with Texas Water Code § 15.607;**
- 3. that the Corporation has adopted and implemented a water conservation program for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules;**
- 4. that the TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the project will be addressed in a manner that is consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j); and**

5. that a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the Corporation and filed with the TWDB in accordance with Texas Water Code § 16.053(j).

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

A commitment is made by the TWDB to the River Acres Water Supply Corporation for financial assistance in the total amount of \$7,778,400 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of Promissory Notes and execution of Loan Agreements in the amounts as follows:

- a) a \$3,620,000 Promissory Note to expire on September 30, 2018;
- b) a \$1,750,000 Promissory Note to expire on March 31, 2020;
- c) a \$1,785,000 Promissory Note to expire on March 31, 2021; and

the execution of a Principal Forgiveness Agreement in the amount of \$623,400. This commitment will expire on March 31, 2019.

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. prior to closing, the Corporation must submit to the Executive Administrator an attorney's opinion confirming the legal authority for the Corporation to incur the Obligations that is acceptable to the Executive Administrator;
3. this commitment is contingent upon the Corporation's compliance with all applicable requirements contained in 31 TAC Chapter 371;
4. the Obligations must provide that the Corporation may prepay all or part of the amounts of principal and interest then due on the loan on any regularly scheduled payment date as specified in the Repayment Schedule, as revised, beginning no earlier than the first interest payment date that is 10 years from the date of the first delivery of funds from the TWDB to the Corporation pursuant to this Agreement;
5. the Corporation, 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 Corporation'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 Corporation's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the Corporation is an obligated person with respect to such bonds under SEC Rule 15c2-12;

6. the Obligations must contain a provision requiring the Corporation 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;
7. the Obligations must include a provision requiring the Corporation to use any loan proceeds from the Obligations that are determined to be remaining unused funds, which are those funds unspent after the original approved project is completed, for enhancements to the original project that are explicitly approved by the Executive Administrator or if no enhancements are authorized by the Executive Administrator, requiring the Corporation to submit a final accounting and disposition of any unused funds;
8. the Obligations must include a provision requiring the Corporation to use any loan proceeds from the Obligations that are determined to be surplus funds remaining after completion of the project and completion of a final accounting for the following purposes as approved by the Executive Administrator: (1) to redeem, in inverse annual order, the Obligations owned by the TWDB; (2) 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 (3) deposit into a reserve fund;
9. 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;
10. 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;
11. loan proceeds shall not be used by the Corporation 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 Corporation 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 and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the Corporation, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;
12. prior to closing, the Corporation shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or, if applicable, the levy of an

interest and sinking tax rate sufficient for the repayment of all system debt service requirements;

13. prior to closing, and if not previously provided with the application, the Corporation shall submit executed contracts for engineering and, if applicable, financial advisor and bond counsel contracts, 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 under the contract, and acceptable to the Executive Administrator;
14. prior to closing, when any portion of the financial assistance is to be held in escrow or in trust, the Corporation shall execute an escrow or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;
15. the Executive Administrator may require that the Corporation execute a separate financing agreement in form and substance acceptable to the Executive Administrator;
16. the TWDB retains the option to purchase the Obligations in separate lots and/or on an installment basis, with delivery of the purchase price for each installment to be paid against delivery of the relevant installment of Obligations as approved by the Executive Administrator;

State Revolving Fund Conditions:

17. the Corporation shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
18. the Obligations must include a provision stating that all laborers and mechanics employed by contractors and subcontractors for projects shall be paid wages at rates not less than those prevailing on projects of a similar character in the locality in accordance with the Davis-Bacon Act, and the U.S. Department of Labor's implementing regulations. The Corporation, all contractors, and all sub-contractors shall ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole or in part with financial assistance made available as provided herein shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the TWDB;
19. the Obligations must include a provision stating that the Corporation shall provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The Corporation shall obtain a Data Universal Numbering System (DUNS) Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding;

20. the Obligations shall provide that all loan proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and also shall provide that the Corporation will adhere to the approved project schedule;
21. The Obligations and Principal Forgiveness Agreement must contain a covenant that the Corporation will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by 31 TAC § 371.4 and related State Revolving Fund Policy Guidelines;

Drinking Water State Revolving Fund Conditions:

22. prior to or at closing, the Corporation shall pay a 2.21% origination fee to the TWDB calculated pursuant to 31 TAC Chapter 371 and the applicable Intended Use Plan;
23. prior to closing, the Texas Commission on Environmental Quality, must make a determination, the form and substance of which is satisfactory to the Executive Administrator, that the Corporation has demonstrated the necessary financial, managerial, and technical capabilities to proceed with the project or projects to be funded with the proceeds of these Obligations;
24. prior to release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the Corporation must provide documentation that it has met all applicable state procurement requirements as well as all federal procurement requirements under the Disadvantaged Business Enterprises program;

Water Supply Corporation Conditions:

25. the Corporation's indebtedness to the TWDB shall be evidenced by loans specifically secured by:
 - a. a first or parity lien on the gross revenues of the Corporation's water system (System); and
 - b. a first or parity lien mortgage on the System;
26. upon closing or within 20 days after closing, the Corporation must file a Deed of Trust with the County Clerk of the county in which the property is located, as required by Business and Commerce Code, Chapter 9, or a Utility Security Instrument with the Secretary of State's Office and corresponding notice with the County Clerk, as required by Business and Commerce Code, Chapter 261, as evidence of the TWDB's security interest in the Corporation's System. Within thirty (30) days of the date of each filing, the Corporation shall submit a copy of the recorded instrument to the TWDB;
27. upon closing or within 20 days after closing, the Corporation must file a security instrument with the Secretary of State's Office, as required by Business and Commerce

Code, Chapter 9 or Chapter 261 to evidence the TWDB's security interest in any personal property directly related to water supply and/or sewer service, owned or to be acquired by the Corporation. A copy of the recorded security instrument shall be submitted by the Corporation to the TWDB within thirty (30) days of its filing with the Secretary of State's Office;

28. prior to closing, the Corporation must obtain a commitment from a title insurance company in accordance with the standards established by the Texas Department of Insurance, resulting in the issuance of a mortgagee title insurance policy on the property owned in fee simple, upon which the TWDB will be given a first or parity lien mortgage. A copy of the mortgagee title insurance policy shall be submitted to the TWDB within thirty (30) days of its execution;
29. prior to closing, the Corporation must cure any defects or liens upon the property listed in Schedule C of the title insurance company commitment that the Executive Administrator deems necessary;
30. prior to release of funds for construction, the Corporation must provide the TWDB with evidence that the necessary acquisitions of land, leases, easements, and rights-of-way have been completed, or that the Corporation has the legal authority necessary to complete the acquisitions;
31. prior to closing, the Corporation must submit to the Executive Administrator evidence that the Corporation's bylaws have been amended to include the following requirements:
 - a. as long as the Corporation is indebted for a loan or loans made by or through the TWDB, the bylaws shall not be altered, amended or repealed without the prior written consent of the Executive Administrator; and
 - b. the Corporation is a nonprofit Corporation; no part of the income of the Corporation will be distributed to the Corporation's members, directors, or officers;
32. prior to closing, if the Corporation is pledging a lien on real property that is to be on parity with a lien or liens on real property securing debt that will remain outstanding after closing the TWDB's loan, then the Corporation must execute a Parity Agreement with each entity that holds such debt that is acceptable in form and substance to the Executive Administrator; and
33. the Obligations shall include a special covenant prohibiting the Corporation from encumbering, pledging or otherwise impairing the revenues of the System in any manner with respect to the payment of any Obligations or with respect to any liability, except for the payment of the following: (1) maintenance and operating expenses payable within the current fiscal year with current revenues; and (2) additional debt, and that the Corporation shall in no way encumber, pledge or otherwise impair its title to the land used by or for the System or any interests therein, including improvements and facilities of the System, without prior TWDB approval;

Pledge Conditions for the Loan:

34. 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 the initial sixty (60) months following the issuance of the Obligations;
35. if the Corporation has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any loan(s) made by the TWDB pursuant to this commitment, 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;
36. the Obligations must contain a provision providing that additional revenue obligations may only be incurred if net system revenues are at least 1.25 times the average annual debt service requirements after giving effect to the additional obligations when net revenues are a) determined from the last completed fiscal year or a 12 consecutive calendar month period ending not more than ninety (90) days preceding the adoption of the additional obligations as certified by a certified public accountant; or b) the Corporation certifies that the Corporation is expected to continue to meet or exceed the net system revenue test with a minimum coverage of 1.25 times the average annual debt service requirement. An authorized representative of the Corporation must provide the calculations, identifying reasonable assumptions, in a manner and format that is acceptable to the Executive Administrator.

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

Special Conditions:

37. the Corporation must notify the Executive Administrator prior to taking any actions to alter its legal status in any manner, such as by conversion to a conservation and reclamation district or a sale-transfer-merger with another retail public utility;
38. the Obligations must include a provision requiring that, prior to any action by the Corporation to convey its Obligations held by the TWDB to another entity, the conveyance and the assumption of the Obligations must be approved by the TWDB;
39. prior to closing, the Corporation shall execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator;
40. the Principal Forgiveness Agreement must include a provision stating that the Corporation shall return any principal forgiveness funds that are determined to be surplus funds in a manner determined by the Executive Administrator; and
41. prior to the release of funds, the Corporation shall provide a schedule of the useful life of the project components prepared by an engineer as well as a certification by the applicant that the average weighted maturity of the obligations purchased by the TWDB does not

exceed 120% of the average estimated useful life of the project, as determined by the schedule.

APPROVED and ordered of record this 21st day of March 2018.

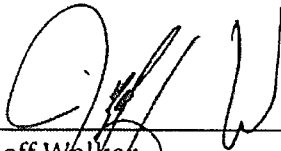
TEXAS WATER DEVELOPMENT BOARD



Peter Lake, Chairman

DATE SIGNED: 3/21/18

ATTEST:



Jeff Walker
Executive Administrator

EXHIBIT B
River Acres Water Supply Corporation's Resolution

RIVER ACRES WATER SUPPLY CORPORTION

**MINUTES OF
SPECIAL MEETING**

AUGUST 13, 2018

**THE STATE OF TEXAS §
 §
COUNTY OF NUECES §**

On the 21st day of August, 2018, the Board of Directors of the River Acres Water Supply Corporation convened at 6:00 P.M. in a Special Meeting at the Corporation's Office, 15601 Northwest Blvd., Suite H, Robstown, Texas, there being present and in attendance the following, to wit:

President	Kyle Clark
Secretary	Darrell Dusek
Director	Ronnie Lightfoot
Director	Chuck Tenpenney

Staff:	Field Manager	Brent Burkhart
	Office Manager	Debra Richter
	Attorney	Charles W. Zahn, Jr.
	Engineer	Paul Pilarczyk

Members

Absent:	Scott Abplanalp	Director
	Claude Bradshaw, Jr.	Director

CALL TO ORDER

1. A quorum being present, the meeting was called to order at the scheduled hour by the presiding officer, Mr. Clark, pursuant to posted notice.

APPROVAL OF AMENDMENTS TO THE BYLAWS OF THE CORPORATION

2. A motion was made by Ronnie Lightfoot and seconded by Darrell Dusek to amend the Bylaws of the Corporation. The motion carried. A copy of the First Amendment to the Bylaws of River Acres Water Supply Corporation is attached hereto.

APPROVAL OF THE AUDIT OF THE CORPORATION BY LOVVORN & KIESCHNICK, LLP

3. A motion was made by Ronnie Lightfoot and seconded by Chuck Tenpenney to approve the audit of the Corporation prepared by Patrick Keishnick of Lovvorn & Keishnick, LLP. The motion carried.

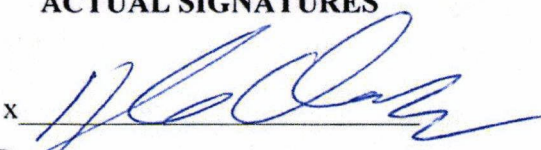
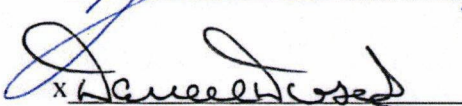
APPROVAL OF RATE INCREASE

4. Paul Pilarczyk discussed the increase in the rate charged the customers of the Corporation necessary to amortize the debt that the Corporation will incur with the Texas Water Development Board for improvements to the water system of the Corporation. After discussion a motion was made by Ronnie Lightfoot and seconded by Darrell Dusek to increase the rate charges to customers of the Corporation to increase the base rate from \$50.23 to \$52.50 and the incremental rate from \$8.50 to \$10.00. The motion carried.

APPROVE THE LOAN AGREEMENT WITH TEXAS WATER DEVELOPMENT BOARD AND AUTHORIZE SIGNATORIES ON BEHALF OF RIVER ACRES WATER SUPPLY CORPORATION

5. Charles Zahn, the attorney for the Corporation discussed the documents necessary to borrow the sum of \$3,620,000 from the Texas Water Development Board including but not limited to the Loan Agreement, Promissory Note in the original principal amount of \$3,620,000, Deed of Trust and Security Agreement, Principal Forgiveness Agreement in the original amount of \$623,400 and the Escrow Agreement with UNB Bank. After discussion a motion was made by Darrell Dusek and seconded by Chuck Tenpenney to approve the following resolutions:

BE IT RESOLVED, that **any one (1)** of the following named officers, employees, or agents of this Corporation, whose actual signatures are shown below:

NAMES	POSITIONS	ACTUAL SIGNATURES
Kyle Clark	President	x 
Darrell Dusek	Secretary	x 

acting for and on behalf of the Corporation and as its act and deed be, and they hereby are, authorized and empowered:

Borrow Money. To borrow from time to time from TEXAS WATER DEVELOPMENT BOARD ("Lender"), on such terms as may be agreed upon between the Corporation and Lender, the sum of \$3,620,000 to be used by the Corporation to finance certain water system improvements in the Corporation's service area.

Execute Notes. To execute and deliver to Lender the promissory note or notes, or other evidence of credit accommodations of the Corporation, on Lender's forms, at such rates of interest and on such terms as may be agreed upon, evidencing the sums of money so borrowed or any indebtedness of the Corporation to Lender, and also to execute and deliver to Lender one or more renewals, extensions, modifications, re-financings, consolidations, or substitutions for one or more of the notes, any portion of the notes, or any other evidence of credit accommodations.

Grant Security. To mortgage, pledge, transfer, endorse, hypothecate, or otherwise encumber and deliver to Lender, as security for the payment of any loans or credit accommodations so obtained, any promissory notes so executed (including any amendments to or modifications, renewals, and extensions of such promissory notes), or any other or further indebtedness of the Corporation to Lender at any time owing, however the same may be evidenced, any property now or hereafter belonging to the Corporation or in which the Corporation now or hereafter may have an interest, including without limitation all real property and all personal property (tangible or intangible) of the Corporation. Such property may be mortgaged, pledged, transferred, endorsed, hypothecated, or encumbered at the time such loans are obtained or such indebtedness is incurred, or at any other time or times, and may be either in addition to or in lieu any property theretofore mortgaged, pledged, transferred, endorsed, hypothecated, or encumbered.

Execute Security Documents. To execute and deliver to Lender the forms of loan agreement, mortgage, promissory note, deed of trust, pledge agreement, hypothecation agreement, loan forgiveness agreement, escrow agreement and other security agreements and financing statements which may be submitted by Lender, and which shall evidence the terms and conditions under and pursuant to which such liens and encumbrances, or any of them, are given; and also to execute and deliver to Lender any other written instruments, any chattel paper, or any other collateral, of any kind or nature, which they may in their discretion deem reasonably necessary or proper in connection with or pertaining to the giving of the liens and encumbrances.

Negotiate Items. To draw, endorse, and discount with Lender all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Corporation in which the Corporation may have an interest, and either to receive cash for the same or to cause such proceeds to be credited to the account of the Corporation with Lender, or to cause such other disposition of the proceeds derived therefrom as they may deem advisable.

Further Acts. In the case of lines of credit, to designate additional or alternate individuals as being authorized to request advances thereunder, and in all cases, to do and perform such other acts and things, to pay any and all fees and costs, and to execute and deliver such other documents and agreements as they may in their discretion deem reasonably necessary or proper in order to carry into effect the provisions of these Resolutions.

BE IT FURTHER RESOLVED, that any and all acts authorized pursuant to these Resolutions and performed prior to the passage of these Resolutions are hereby ratified and approved, that these Resolutions shall remain in full force and effect and Lender may rely on these Resolutions until written notice of their revocation shall have been delivered to Lender and receipt acknowledged by Lender in writing. Any such notice shall not affect any of the Corporation's agreements or commitments in effect at the time notice is given.

BE IT FURTHER RESOLVED, that the Corporation will notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (a) change in the name of the Corporation, (b) change in the assumed business name(s) of the Corporation, (c) change in the management of the Corporation, (d) change in the authorized signer(s), (e) conversion of the Corporation to a new or different type of business entity, or (f) change in any other aspect of the Corporation that directly or indirectly relates to any agreements

between the Corporation and Lender. No change in the name of the Corporation will take effect until after Lender has been notified.

FURTHER RESOLVED, that the Secretary of the Corporation, Darrell Dusek, be and he is hereby authorized to certify to Texas Water Development Board and such other persons or firms as he deems necessary or advisable, the foregoing resolutions and the name of the officer or agent for the Corporation authorized to sign for it, together with a specimen of his signature.

The motion carried.

OLD BUSINESS

6. There was no old business to come before the Board.

NEW BUSINESS

7. There was no new business to come before the Board.

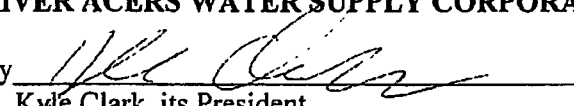
MANAGER'S REPORT

8. No manager's report was presented at the meeting.

ADJOURN

9. As there was no further business to come before the Board of Directors, a motion was made, seconded and approved to adjourn.

RIVER ACERS WATER SUPPLY CORPORATION

By 
Kyle Clark, its President

ATTEST:

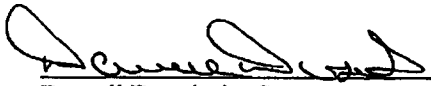

Darrell Dusek, its Secretary

EXHIBIT C

List of Federal Laws and Authorities (Cross-Cutters)

The basic rules for complying with cross-cutting federal authorities are set-out in the CWSRF regulations at 40 C.F.R. § 35.3145 and in the DWSRF regulations at 40 C.F.R. § 35.3575. A list of and link to these authorities is provided below and also available from the Environmental Protection Agency (EPA) at:
http://water.epa.gov/grants_funding/dwsrf/xcuts.cfm. A handbook on the applicability of the cross-cutting federal authorities is available from EPA at
<http://www.epa.gov/owm/cwfinance/cwsrf/enhance/DocFiles/Other%20Docs/CrosscutterHandbook.pdf>.

Environmental Authorities

- Archeological and Historic Preservation Act of 1974, Pub. L. 86-523, as amended
- Clean Air Act, Pub. L. 84-159, as amended
- Coastal Barrier Resources Act, Pub. L. 97-348
- Coastal Zone Management Act, Pub. L. 92-583, as amended
- Endangered Species Act, Pub. L. 93-205, as amended
- Environmental Justice, Executive Order 12898
- Floodplain Management, Executive Order 11988 as amended by Executive Order 12148
- Protection of Wetlands, Executive Order 11990
- Farmland Protection Policy Act, Pub. L. 97-98
- Fish and Wildlife Coordination Act, Pub. L. 85-624, as amended
- National Historic Preservation Act of 1966, PL 89-665, as amended
- Safe Drinking Water Act, Pub. L. 93-523, as amended
- Wild and Scenic Rivers Act, Pub. L. 90-542, as amended

Economic and Miscellaneous Authorities

- Demonstration Cities and Metropolitan Development Act of 1966, Pub. L. 89-754, as amended, Executive Order 12372
- Procurement Prohibitions under Section 306 of the Clean Air Act and Section 508 of the Clean Water Act, including Executive Order 11738, Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans
- Uniform Relocation and Real Property Acquisition Policies Act, Pub. L. 91-646, as amended
- Debarment and Suspension, Executive Order 12549

Social Policy Authorities

- Age Discrimination Act of 1975, Pub. L. 94-135
- Title VI of the Civil Rights Act of 1964, Pub. L. 88-352 (2)
- Section 13 of the Federal Water Pollution Control Act Amendments of 1972, Pub. L. 92-500 (the Clean Water Act)
- Section 504 of the Rehabilitation Act of 1973, Pub. L. 93-112 (including Executive Orders 11914 and 11250)
- The Drug-Free Workplace Act of 1988, Pub. L. 100-690 (applies only to the capitalization grant recipient)
- Equal Employment Opportunity, Executive Order 11246

- Women's and Minority Business Enterprise, Executive Orders 11625, 12138 and 12432
- Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590
- Anti-Lobbying Provisions (40 CFR Part 30) [applies only to capitalization grant recipients]

The Civil Rights Act and related anti-discrimination statutes apply to all the operations of the SRF program.

EXHIBIT D

Davis-Bacon Contract and Subcontract Provisions

(a) GENERAL CONTRACT AND SUBCONTRACT PROVISIONS.

The subrecipient(s) shall insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in 29 CFR § 5.1 and the Consolidated Appropriations Act, 2016 (or subsequent federal law), the following clauses:

(1) Minimum Wages

(i) All laborers and mechanics employed or working upon the site of the work will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics.

Contributions made or costs reasonably anticipated for bona fide fringe benefits under section 1(b)(2) of the Davis-Bacon Act on behalf of laborers or mechanics are considered wages paid to such laborers or mechanics, subject to the provisions of paragraph (a)(1)(iv) of this section; also, regular contributions made or costs incurred for more than a weekly period (but not less often than quarterly) under plans, funds, or programs which cover the particular weekly period, are deemed to be constructively made or incurred during such weekly period. Such laborers and mechanics shall be paid the appropriate wage rate and fringe benefits on the wage determination for the classification of work actually performed, without regard to skill, except as provided in 29 CFR § 5.5(a)(4). Laborers or mechanics performing work in more than one classification may be compensated at the rate specified for each classification for the time actually worked therein: Provided, that the employer's payroll records accurately set forth the time spent in each classification in which work is performed. The wage determination (including any additional classification and wage rates conformed under paragraph (a)(1)(ii) of this section) and the Davis-Bacon poster (WH-1321) shall be posted at all times by the contractor and its subcontractors at the site of the work in a prominent and accessible place where it can be easily seen by the workers.

Subrecipients may obtain wage determinations from the U.S. Department of Labor's web site, www.dol.gov.

(ii)(A) The subrecipient(s), on behalf of EPA, shall require that any class of laborers or mechanics, including helpers, which is not listed in the wage determination and which is to be employed under the contract shall be classified in conformance with the wage determination. The State award official shall approve a request for an additional classification and wage rate and fringe benefits therefore only when the following criteria have been met:

(1) The work to be performed by the classification requested is not performed by a classification in the wage determination; and

(2) The classification is utilized in the area by the construction industry; and

(3) The proposed wage rate, including any bona fide fringe benefits, bears a reasonable relationship to the wage rates contained in the wage determination.

(B) If the contractor and the laborers and mechanics to be employed in the classification (if known), or their representatives, and the subrecipient(s) agree on the classification and wage rate (including the amount designated for fringe benefits where appropriate), documentation of the action taken and the request, including the local wage determination shall be sent by the subrecipient (s) to the State award official. The State award official will transmit the request, to the Administrator of the Wage and Hour Division, Employment Standards Administration, U.S. Department of Labor, Washington, DC 20210 and to the EPA DB Regional Coordinator concurrently. The Administrator, or an authorized representative, will approve, modify, or disapprove every additional classification request within 30 days of receipt and so advise the State award official or will notify the State award official within the 30-day period that additional time is necessary.

(C) In the event the contractor, the laborers or mechanics to be employed in the classification or their representatives, and the subrecipient(s) do not agree on the proposed classification and wage rate (including the amount designated for fringe benefits, where appropriate), the award official shall refer the request and the local wage determination, including the views of all interested parties and the recommendation of the State award official, to the Administrator for determination. The request shall be sent to the EPA DB Regional Coordinator concurrently. The Administrator, or an authorized representative, will issue a determination within 30 days of receipt of the request and so advise the contracting officer or will notify the contracting officer within the 30-day period that additional time is necessary.

(D) The wage rate (including fringe benefits where appropriate) determined pursuant to paragraphs (a)(1)(ii)(B) or (C) of this section, shall be paid to all workers performing work in the classification under this contract from the first day on which work is performed in the classification.

(iii) Whenever the minimum wage rate prescribed in the contract for a class of laborers or mechanics includes a fringe benefit which is not expressed as an hourly rate, the contractor shall either pay the benefit as stated in the wage determination or shall pay another bona fide fringe benefit or an hourly cash equivalent thereof.

(iv) If the contractor does not make payments to a trustee or other third person, the contractor may consider as part of the wages of any laborer or mechanic the amount of any costs reasonably anticipated in providing bona fide fringe benefits under a plan or program, Provided, That the Secretary of Labor has found, upon the written request of the contractor, that the applicable standards of the Davis-Bacon Act have been met. The Secretary of Labor may require the contractor to set aside in a separate account assets for the meeting of obligations under the plan or program.

(2) Withholding

The subrecipient(s), shall upon written request of the EPA Award Official or an authorized representative of the Department of Labor, withhold or cause to be withheld from the contractor under this contract or any other Federal contract with the same prime contractor, or any other federally-assisted contract subject to Davis-Bacon prevailing wage requirements, which is held by the same prime contractor, so much of the accrued payments or advances as may be considered necessary to pay laborers and mechanics, including apprentices, trainees, and helpers, employed by the contractor or any subcontractor the full amount of wages required by the contract. In the event of failure to pay any laborer or mechanic, including any apprentice, trainee, or helper, employed or working on the site of the work, all or part of the wages required by the contract, the (Agency) may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds until such violations have ceased.

(3) Payrolls and basic records

(i) Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work and preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work. Such records shall contain the name, address, and social security number of each such worker, his or her correct classification, hourly rates of wages paid (including rates of contributions or costs anticipated for bona fide fringe benefits or cash equivalents thereof of the types described in section 1(b)(2)(B) of the Davis-Bacon Act), daily and weekly number of hours worked, deductions made and actual wages paid. Whenever the Secretary of Labor has found under 29 CFR 5:5(a)(1)(iv) that the wages of any laborer or mechanic include the amount of any costs reasonably anticipated in providing benefits under a plan or program described in section 1(b)(2)(B) of the Davis-Bacon Act, the contractor shall maintain records which show that the commitment to provide such benefits is enforceable, that the plan or program is financially responsible, and that the plan or program has been communicated in writing to the

laborers or mechanics affected, and records which show the costs anticipated or the actual cost incurred in providing such benefits. Contractors employing apprentices or trainees under approved programs shall maintain written evidence of the registration of apprenticeship programs and certification of trainee programs, the registration of the apprentices and trainees, and the ratios and wage rates prescribed in the applicable programs.

(ii)(A) The contractor shall submit weekly, for each week in which any contract work is performed, a copy of all payrolls to the subrecipient, that is, the entity that receives the subgrant or loan from the State capitalization grant recipient. Such documentation shall be available on request of the State recipient or EPA. As to each payroll copy received, the subrecipient shall provide written confirmation in a form satisfactory to the State indicating whether or not the project is in compliance with the requirements of 29 CFR 5.5(a)(1) based on the most recent payroll copies for the specified week. The payrolls shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i), except that full social security numbers and home addresses shall not be included on the weekly payrolls. Instead the payrolls shall only need to include an individually identifying number for each employee (e.g., the last four digits of the employee's social security number). The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site at <http://www.dol.gov/whd/forms/wh347instr.htm> or its successor site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. Contractors and subcontractors shall maintain the full social security number and current address of each covered worker, and shall provide them upon request to the subrecipient(s) for transmission to the State or EPA if requested by EPA, the State, the contractor, or the Wage and Hour Division of the Department of Labor for purposes of an investigation or audit of compliance with prevailing wage requirements. It is not a violation of this section for a prime contractor to require a subcontractor to provide addresses and social security numbers to the prime contractor for its own records, without weekly submission to the subrecipient(s).

(B) Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following:

(1) That the payroll for the payroll period contains the information required to be provided under § 5.5 (a)(3)(ii) of Regulations, 29 CFR part 5, the appropriate information is being maintained under § 5.5 (a)(3)(i) of Regulations, 29 CFR part 5, and that such information is correct and complete;

(2) That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been

made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in Regulations, 29 CFR part 3;

(3) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract.

(C) The weekly submission of a properly executed certification set forth on the reverse side of Optional Form WH-347 shall satisfy the requirement for submission of the "Statement of Compliance" required by paragraph (a)(3)(ii)(B) of this section.

(D) The falsification of any of the above certifications may subject the contractor or subcontractor to civil or criminal prosecution under section 1001 of title 18 and section 231 of title 31 of the United States Code.

(iii) The contractor or subcontractor shall make the records required under paragraph (a)(3)(i) of this section available for inspection, copying, or transcription by authorized representatives of the State, EPA or the Department of Labor, and shall permit such representatives to interview employees during working hours on the job. If the contractor or subcontractor fails to submit the required records or to make them available, the Federal agency or State may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment action pursuant to 29 CFR 5.12.

(4) Apprentices and trainees

(i) Apprentices. Apprentices will be permitted to work at less than the predetermined rate for the work they performed when they are employed pursuant to and individually registered in a bona fide apprenticeship program registered with the U.S. Department of Labor, Employment and Training Administration, Office of Apprenticeship Training, Employer and Labor Services, or with a State Apprenticeship Agency recognized by the Office, or if a person is employed in his or her first 90 days of probationary employment as an apprentice in such an apprenticeship program, who is not individually registered in the program, but who has been certified by the Office of Apprenticeship Training, Employer and Labor Services or a State Apprenticeship Agency (where appropriate) to be eligible for probationary employment as an apprentice. The allowable ratio of apprentices to journeymen on the job site in any craft classification shall not be greater than the ratio permitted to the contractor as to the entire work force under the registered program. Any worker listed on a payroll at an apprentice wage rate, who is not registered or otherwise employed as stated above, shall be paid not less than the applicable wage rate on the wage determination for the classification of work actually performed. In addition, any apprentice performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for

the work actually performed. Where a contractor is performing construction on a project in a locality other than that in which its program is registered, the ratios and wage rates (expressed in percentages of the journeyman's hourly rate) specified in the contractor's or subcontractor's registered program shall be observed. Every apprentice must be paid at not less than the rate specified in the registered program for the apprentice's level of progress, expressed as a percentage of the journeymen hourly rate specified in the applicable wage determination. Apprentices shall be paid fringe benefits in accordance with the provisions of the apprenticeship program. If the apprenticeship program does not specify fringe benefits, apprentices must be paid the full amount of fringe benefits listed on the wage determination for the applicable classification. If the Administrator determines that a different practice prevails for the applicable apprentice classification, fringes shall be paid in accordance with that determination. In the event the Office of Apprenticeship Training, Employer and Labor Services, or a State Apprenticeship Agency recognized by the Office, withdraws approval of an apprenticeship program, the contractor will no longer be permitted to utilize apprentices at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(ii) Trainees. Except as provided in 29 CFR 5.16, trainees will not be permitted to work at less than the predetermined rate for the work performed unless they are employed pursuant to and individually registered in a program which has received prior approval, evidenced by formal certification by the U.S. Department of Labor, Employment and Training Administration. The ratio of trainees to journeymen on the job site shall not be greater than permitted under the plan approved by the Employment and Training Administration. Every trainee must be paid at not less than the rate specified in the approved program for the trainee's level of progress, expressed as a percentage of the journeyman hourly rate specified in the applicable wage determination. Trainees shall be paid fringe benefits in accordance with the provisions of the trainee program. If the trainee program does not mention fringe benefits, trainees shall be paid the full amount of fringe benefits listed on the wage determination unless the Administrator of the Wage and Hour Division determines that there is an apprenticeship program associated with the corresponding journeyman wage rate on the wage determination which provides for less than full fringe benefits for apprentices. Any employee listed on the payroll at a trainee rate who is not registered and participating in a training plan approved by the Employment and Training Administration shall be paid not less than the applicable wage rate on the wage determination for the classification of work actually performed. In addition, any trainee performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. In the event the Employment and Training Administration withdraws approval of a training program, the contractor will no longer be permitted to utilize trainees at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(iii) Equal employment opportunity. The utilization of apprentices, trainees and journeymen under this part shall be in conformity with the equal employment opportunity requirements of Executive Order 11246, as amended, and 29 CFR part 30.

(5) Compliance with Copeland Act requirements

The contractor shall comply with the requirements of 29 CFR part 3, which are incorporated by reference in this contract.

(6) Subcontracts.

The contractor or subcontractor shall insert in any subcontracts the clauses contained in 29 CFR 5.5(a)(1) through (10) and such other clauses as the EPA determines may be appropriate, and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for the compliance by any subcontractor or lower tier subcontractor with all the contract clauses in 29 CFR 5.5.

(7) Contract termination; debarment.

A breach of the contract clauses in 29 CFR 5.5 may be grounds for termination of the contract, and for debarment as a contractor and a subcontractor as provided in 29 CFR 5.12.

(8) Compliance with Davis-Bacon and Related Act requirements.

All rulings and interpretations of the Davis-Bacon and Related Acts contained in 29 CFR parts 1, 3, and 5 are herein incorporated by reference in this contract.

(9) Disputes concerning labor standards.

Disputes arising out of the labor standards provisions of this contract shall not be subject to the general disputes clause of this contract. Such disputes shall be resolved in accordance with the procedures of the Department of Labor set forth in 29 CFR parts 5, 6, and 7. Disputes within the meaning of this clause include disputes between the contractor (or any of its subcontractors) and Subrecipient(s), State, EPA, the U.S. Department of Labor, or the employees or their representatives.

(10) Certification of eligibility.

(i) By entering into this contract, the contractor certifies that neither it (nor he or she) nor any person or firm who has an interest in the contractor's firm is a person or firm ineligible to be awarded Government contracts by virtue of section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1).

(ii) No part of this contract shall be subcontracted to any person or firm ineligible for award of a Government contract by virtue of section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1).

(iii) The penalty for making false statements is prescribed in the U.S. Criminal Code, 18 U.S.C. 1001.

b. CONTRACT PROVISIONS FOR CONTRACTS IN EXCESS OF \$100,000

Contract Work Hours and Safety Standards Act. The subrecipient shall insert the following clauses set forth in paragraphs (a)(1), (2), (3), and (4) of this section in full in any contract in an amount in excess of \$100,000 and subject to the overtime provisions of the Contract Work Hours and Safety Standards Act. These clauses shall be inserted in addition to the clauses required by Item 3, above or 29 CFR 4.6. As used in this paragraph, the terms laborers and mechanics include watchmen and guards.

(1) Overtime requirements

No contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any such laborer or mechanic in any workweek in which he or she is employed on such work to work in excess of forty hours in such workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times the basic rate of pay for all hours worked in excess of forty hours in such workweek.

(2) Violation; liability for unpaid wages; liquidated damages.

In the event of any violation of the clause set forth in paragraph (b)(1) of this section the contractor and any subcontractor responsible therefore shall be liable for the unpaid wages. In addition, such contractor and subcontractor shall be liable to the United States (in the case of work done under contract for the District of Columbia or a territory, to such District or to such territory), for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic, including watchmen and guards, employed in violation of the clause set forth in paragraph (b)(1) of this section, in the sum of \$10 for each calendar day on which such individual was required or permitted to work in excess of the standard workweek of forty hours without payment of the overtime wages required by the clause set forth in paragraph (b)(1) of this section.

(3) Withholding for unpaid wages and liquidated damages

The subrecipient, upon written request of the EPA Award Official or an authorized representative of the Department of Labor, shall withhold or cause to be withheld, from any moneys payable on account of work performed by the contractor or subcontractor under any such contract or any other Federal contract with the same prime contractor, or any other federally-assisted contract subject to the Contract Work Hours and Safety Standards Act, which is held by the same prime contractor, such sums as may be determined to be necessary to satisfy any liabilities of such contractor or subcontractor for unpaid wages and liquidated damages as provided in the clause set forth in paragraph (b)(2) of this section.

(4) Subcontracts

The contractor or subcontractor shall insert in any subcontracts the clauses set forth in paragraph (b)(1) through (4) of this section and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for compliance by any subcontractor or lower tier subcontractor with the clauses set forth in paragraphs (b)(1) through (4) of this section.

(c) MAINTENANCE OF RECORDS

In addition to the clauses contained in Section (a), above, in any contract subject only to the Contract Work Hours and Safety Standards Act and not to any of the other statutes cited in 29 CFR 5.1, the Subrecipient shall insert a clause requiring that the contractor or subcontractor shall maintain payrolls and basic payroll records during the course of the work and shall preserve them for a period of three years from the completion of the contract for all laborers and mechanics, including guards and watchmen, working on the contract. Such records shall contain the name and address of each such employee, social security number, correct classifications, hourly rates of wages paid, daily and weekly number of hours worked, deductions made, and actual wages paid. Further, the Subrecipient shall insert in any such contract a clause providing that the records to be maintained under this paragraph shall be made available by the contractor or subcontractor for inspection, copying, or transcription by authorized representatives of the (write the name of agency) and the Department of Labor, and the contractor or subcontractor will permit such representatives to interview employees during working hours on the job.

(d) COMPLIANCE VERIFICATION

(1) The subrecipient shall periodically interview a sufficient number of employees entitled to DB prevailing wages (covered employees) to verify that contractors or subcontractors are paying the appropriate wage rates. As provided in 29 CFR 5.6(a)(6), all interviews must be conducted in confidence. The subrecipient must use Standard Form 1445 (SF 1445) or equivalent documentation to memorialize the interviews. Copies of the SF 1445 are available from EPA on request.

(2) The subrecipient shall establish and follow an interview schedule based on its assessment of the risks of noncompliance with DB posed by contractors or subcontractors and the duration of the contract or subcontract.¹ Subrecipients must conduct more

¹ The provision that read "At a minimum, the subrecipient should conduct interviews with a representative group of covered employees within two weeks of each contractor or subcontractor's submission of its initial weekly payroll data and two weeks prior to the estimated completion date for the contract or subcontract" was issued a waiver in

frequent interviews if the initial interviews or other information indicated that there is a risk that the contractor or subcontractor is not complying with DB. Subrecipients shall immediately conduct interviews in response to an alleged violation of the prevailing wage requirements. All interviews shall be conducted in confidence.

(3) The subrecipient shall periodically conduct spot checks of a representative sample of weekly payroll data to verify that contractors or subcontractors are paying the appropriate wage rates. The subrecipient shall establish and follow a spot check schedule based on its assessment of the risks of noncompliance with DB posed by contractors or subcontractors and the duration of the contract or subcontract. At a minimum, if practicable, the subrecipient should spot check payroll data within two weeks of each contractor or subcontractor's submission of its initial payroll data and two weeks prior to the completion date the contract or subcontract. Subrecipients must conduct more frequent spot checks if the initial spot check or other information indicates that there is a risk that the contractor or subcontractor is not complying with DB. In addition, during the examinations the subrecipient shall verify evidence of fringe benefit plans and payments thereunder by contractors and subcontractors who claim credit for fringe benefit contributions.

(4) The subrecipient shall periodically review contractors and subcontractors use of apprentices and trainees to verify registration and certification with respect to apprenticeship and training programs approved by either the U.S Department of Labor or a state, as appropriate, and that contractors and subcontractors are not using disproportionate numbers of, laborers, trainees and apprentices. These reviews shall be conducted in accordance with the schedules for spot checks and interviews described in Item 5(b) and (c) above.

(5) Subrecipients must immediately report potential violations of the DB prevailing wage requirements to the EPA Region 6 DB Coordinator, TWDB, and to the appropriate DOL Wage and Hour District Office listed at <http://www.dol.gov/whd/america2.htm>.

EXHIBIT E
Project Schedule

Project Schedule:	Schedule Date:
Design Phase Complete	August 15, 2018
Start of Construction	October 31, 2018
Construction Completion	April 28, 2021

EXHIBIT F
Project Budget

Budget Items	DWSRF Commitment LF1000736	DWSRF Commitment LM18763	Total
Construction			
Construction	\$623,400.00	\$3,060,447.00	\$3,683,847.00
Subtotal for Construction	\$623,400.00	\$3,060,447.00	\$3,683,847.00
Basic Engineering Services			
Construction Engineering	\$0.00	\$0.00	\$0.00
Design	0.00	0.00	0.00
Subtotal for Basic Engineering Services	\$0.00	\$0.00	\$0.00
Special Services			
Application	\$0.00	\$0.00	\$0.00
Permits	0.00	0.00	0.00
Surveying	0.00	0.00	0.00
Subtotal for Special Services	\$0.00	\$0.00	\$0.00
Fiscal Services			
Bond Reserve Fund	\$0.00	\$192,811.13	\$192,811.13
Financial Advisor	0.00	67,875.00	67,875.00
Loan Origination Fee	0.00	76,192.00	76,192.00
Subtotal for Fiscal Services	\$0.00	\$336,878.13	\$336,878.13
Other			
Land/Easements Acquisition	\$0.00	\$0.00	\$0.00
Subtotal for Other	\$0.00	\$0.00	\$0.00
Contingency			
Contingency	\$0.00	\$222,674.87	\$222,674.87
Subtotal for Contingency	\$0.00	\$222,674.87	\$222,674.87
Total	\$623,400.00	\$3,620,000.00	\$4,243,400.00

EXHIBIT G
Escrow Agreement

ESCROW AGREEMENT

THIS ESCROW AGREEMENT (Agreement), made by and between River Acres Water Supply Corporation, a political subdivision of the State of Texas in Nueces County, Texas, (Corporation) and UMB Bank, N.A., as Escrow Agent together with any successor in such capacity;

W I T N E S S E T H:

WHEREAS, pursuant to a Resolution adopted on August 13, 2018 (Resolution), River Acres Water Supply Corporation authorizing the execution of a Principal Forgiveness Agreement, the Corporation will accept certain contractual obligations (Obligations) to obtain financial assistance from the Texas Water Development Board (TWDB) for the purpose of funding water or wastewater system improvements (Project); and

WHEREAS, the Escrow Agent is a state or national bank designated by the Texas Comptroller as a state depository institution in accordance with Texas Government Code, Chapter 404, Subchapter C, or is a designated custodian of collateral in accordance with Texas Government Code, Chapter 404, Subchapter D and is otherwise qualified and empowered to enter into this Agreement, and hereby acknowledges its acceptance of the terms and provisions hereof; and

WHEREAS, a condition of the Obligations is the deposit of the proceeds of the Obligations (Proceeds) in escrow subject to being withdrawn only with the approval of the Executive Administrator or another designated representative; provided, however, the Proceeds can be transferred to different investments so long as all parties hereto consent to such transfer;

NOW, THEREFORE, in consideration of the mutual agreements herein contained and in consideration of the amount of fees to be paid by the Corporation to the Escrow Agent, as set forth on **EXHIBIT A**, the receipt of which is hereby acknowledged, and in order to secure the delivery of the Obligations, the parties hereto mutually undertake, promise and agree for themselves, their respective representatives and successors, as follows:

SECTION 1: ESCROW ACCOUNT(S). Upon the delivery of the Obligations described above, the Proceeds identified under TWDB Commitment Number(s) LF1000736 shall be deposited to the credit of a special escrow account(s) or escrow subaccount(s) (Escrow Account(s)) maintained at the Escrow Agent on behalf of the Corporation and the TWDB and shall not be commingled with any other accounts or with any other proceeds or funds. The Proceeds received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the Corporation, and the Escrow Agent shall have no right to title with respect thereto except as Escrow Agent under the terms of this Agreement.

The Escrow Account(s) shall be entitled "River Acres Water Supply Corporation, Principal Forgiveness Agreement, Texas Water Development Board Commitment LF1000736 Escrow

Account” and shall not be subject to warrants, drafts or checks drawn by the Corporation but shall be disbursed or withdrawn to pay the costs of the Project for which the Obligations were issued or other purposes in accordance with the Obligations and solely upon written authorization from the Executive Administrator or his/her designated representative. The Escrow Agent shall provide to the Corporation and to the TWDB the Escrow Account(s) bank statements upon request.

SECTION 2: COLLATERAL. All cash deposited to the credit of such Escrow Account(s) and any accrued interest in excess of the amounts insured by the FDIC and remaining uninvested under the terms of this Agreement shall be continuously secured by a valid pledge of direct obligations of the United States of America or other collateral meeting the requirements of the Public Funds Collateral Act, Texas Government Code, Chapter 2257.

SECTION 3: INVESTMENTS. While the Proceeds are held in escrow, the Escrow Agent shall only invest and re-invest escrowed Proceeds as directed in writing by the Corporation in investments that are authorized by the Public Funds Investment Act, Texas Government Code, Chapter 2256 (PFIA). It is the Corporation’s responsibility to direct the Escrow Agent to invest all public funds in a manner that is consistent not only with the PFIA but also with its own written investment policy. In the absence of written investment direction from the Corporation, the Proceeds or any interest or income earned thereon shall be held un-invested.

SECTION 4: DISBURSEMENTS. The Escrow Agent shall not honor any disbursement from the Escrow Account(s), or any portion thereof, unless and until it has been supplied with written approval and consent by the Executive Administrator or his/her designated representative. However, no written approval and consent by the Executive Administrator shall be required if the disbursement involves transferring Proceeds from one investment to another within the Escrow Account(s) provided that all such investments are consistent with the PFIA requirements.

SECTION 5: UNEXPENDED FUNDS. Any Proceeds remaining unexpended in the Escrow Account(s) after completion of the Project and after the final accounting has been submitted to and approved by the TWDB shall be disposed of pursuant to the provisions of the Obligations. The Corporation shall deliver a copy of such TWDB approval of the final accounting to the Escrow Agent together with instructions concerning the disbursement of unexpended Proceeds hereunder. The Escrow Agent shall have no obligation to ensure that such unexpended Proceeds are used as required by the provisions of the Obligations, that being the sole obligation of the Corporation.

SECTION 6: CERTIFICATIONS. The Escrow Agent shall be authorized to accept and rely upon the certifications and documents furnished to the Escrow Agent by the Corporation and shall not be liable for the payment of any funds made in reliance in good faith upon such certifications or other documents or approvals, as herein recited.

SECTION 7: LIABILITY OF ESCROW AGENT. To the extent permitted by law, the Escrow Agent shall not be liable for any act done or step taken or omitted by it or any mistake of fact or law, except for its negligence or willful misconduct. The Escrow Agent shall not be responsible in any manner for any proceedings in connection with the Obligations or any recitation contained in the Obligations.

In the event of a question regarding any disbursement or a disagreement between the undersigned or TWDB or any other person resulting in adverse claims being made upon the amounts in the Escrow Account, the Escrow Agent shall be protected and shall not be liable to the Corporation or any other person if it follows the written direction of the Executive Administrator or of a final order or judgment of a court of competent jurisdiction. The Corporation agrees to indemnify and save Escrow Agent harmless from all losses, costs, liabilities, actual damages, fees and expenses (including, but not limited to, reasonable attorney's fees and expenses) suffered or incurred by Escrow Agent arising from the performance of its obligations under this Agreement ("Acts"), except such Acts as arise from or attributable to the negligence or willful misconduct of Escrow Agent. Escrow Agent may consult with legal counsel in the event of any dispute or question as to the construction of any of the provisions hereof or its duties hereunder, and, to the extent it acts in good faith without negligence or willful misconduct it shall be full protected in acting in accordance with the opinion and instructions of such counsel. The Escrow Agent may resign at any time by providing such termination notices in accordance with Section 11.

SECTION 8: RECORDS. The Escrow Agent will keep complete and correct books of record and account relating to the receipts, disbursements, allocations and application of the money deposited to the Escrow Account, and investments of the Escrow Account and all proceeds thereof. The records shall be available for inspection and copying at reasonable hours and under reasonable conditions by the Corporation and the TWDB.

SECTION 9: MERGER/CONSOLIDATION. In the event that the Escrow Agent merges or consolidates with another bank or sells or transfers substantially all of its assets or corporate trust business, then the successor bank shall be the successor Escrow Agent without the necessity of further action as long as the successor bank is a state or national bank designated by the Texas Comptroller as a state depository institution in accordance with Texas Government Code, Chapter 404, Subchapter C, or is a designated custodian of collateral in accordance with Texas Government Code Chapter 404, Subchapter D. The Escrow Agent must provide the TWDB with written notification within 30 days of acceptance of the merger, consolidation, or transfer. If the merger, consolidation or other transfer has occurred between state banks, the newly-created entity shall forward the certificate of merger or exchange issued by the Texas Department of Banking as well as the statement filed with the pertinent chartering authority, if applicable, to the TWDB within five business days following such merger, consolidation or exchange.

SECTION 10: AMENDMENTS. This Agreement may be amended from time to time as necessary with the written consent of the Corporation and the TWDB, but no such amendments shall increase the liabilities or responsibilities or diminish the rights of the Escrow Agent without its consent.

SECTION 11: TERMINATION. In the event that this Agreement is terminated by either the Corporation or by the Escrow Agent, the Escrow Agent must report said termination in writing to the TWDB within five business days of such termination. The Corporation is responsible for ensuring that the following criteria are satisfied in selecting the successor escrow agent and notifying the TWDB of the change in escrow agents: (a) the successor escrow agent must be an FDIC-insured state or national bank designated by the Texas Comptroller as a state depository; (b) the successor escrow agent must be retained prior to or at the time of the termination; (c) an escrow agreement must be executed by and between the Corporation and the successor escrow agent and must contain the same or substantially similar terms and conditions as are present in this Agreement; and (d) the Corporation must forward a copy of the executed escrow agreement with the successor escrow agent within five business days of said termination. No funds shall be released by the TWDB until it has received, reviewed and approved the escrow agreement with the successor escrow agent. If the Corporation has not appointed a successor escrow agent within thirty (30) days of the notice of termination, the Escrow Agent may petition any court of competent jurisdiction in Texas for the appointment of a successor escrow agent or for other appropriate relief, and any such resulting appointment shall be binding upon the Corporation. Whether appointed by the Corporation or a court, the successor escrow agent and escrow agreement must be approved by the TWDB for the appointment to be effective. The Escrow Agent is responsible for performance under this Agreement until a successor has been approved by the TWDB and has signed an acceptable escrow agreement.

SECTION 12: EXPIRATION. This Agreement shall expire upon final transfer of the funds in the Escrow Account(s) to the Corporation.

SECTION 13: POINT OF CONTACT. The points of contact for the Escrow Agent and the TWDB are as follows:

UMB Bank, N.A.
6034 W. Courtyard Dr., Ste. 370
Austin, TX 78730
512-582-5850
512-582-5855 (fax)
anne-marie.hansen@umb.com

Executive Administrator
Texas Water Development Board
1700 North Congress Avenue
Austin, Texas 78701

SECTION 14: CHOICE OF LAW. This Agreement shall be governed exclusively by the applicable laws of the State of Texas. Venue for disputes shall be in the District Court of Travis County, Texas.

SECTION 15: ASSIGNABILITY. This Agreement shall not be assignable by the parties hereto, in whole or in part, and any attempted assignment shall be void and of no force and effect.

SECTION 16: ENTIRE AGREEMENT. This Agreement evidences the entire Escrow Agreement between the Escrow Agent and the Corporation and supersedes any other agreements, whether oral or written, between the parties regarding the Proceeds or the Escrow Account(s). No modification or amendment of this Agreement shall be valid unless the same is in writing and is signed by the Corporation and consented to by the Escrow Agent and the TWDB.

SECTION 17: VALIDITY OF PROVISIONS. If any term, covenant, condition or provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby.

SECTION 18: COMPENSATION FOR ESCROW SERVICES. The Escrow Agent shall be entitled to compensation for its services as stated in Exhibit A, which compensation shall be paid by the Corporation but may not be paid directly from the Escrow Account(s).

SECTION 19: TAX MATTERS/PATRIOT ACT. The Corporation agrees that, for tax reporting purposes, all interest or other income, if any, attributable to the amounts held in escrow by the Escrow Agent pursuant to this Agreement shall be allocable to the Corporation. Tax reporting will be completed by the Corporation. The Corporation agrees to provide the Escrow Agent completed Form W-9 (or Forms W-8, in the case of non-U.S. Persons) and other forms and documents that the Escrow Agent may reasonably request at the time of execution of this Agreement, and any information reasonably requested by the Escrow Agent to comply with the USA Patriot Act of 2001, as amended from time to time. The Corporation understands that if such documentation is not so certified to the Escrow Agent, the Escrow Agent may be required by the Internal Revenue Code, as it may be amended from time to time, to withhold a portion of any interest or other income earned on the investment of monies or other property held by the Escrow Agent pursuant to this Escrow Agreement.

Section 20: COUNTERPARTS/ELECTRONIC TRANSACTIONS. The parties hereto agree that the transactions described herein may be conducted and related documents may be sent, received, and stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

SECTION 21: ANTI-BOYCOTT VERIFICATION. The Escrow Agent represents that, to the extent this Agreement constitutes a contract for goods or services within the meaning of Section 2270.002 of the Texas Government Code, as amended, solely for purposes of compliance with Chapter 2270 of the Texas Government Code, and subject to applicable

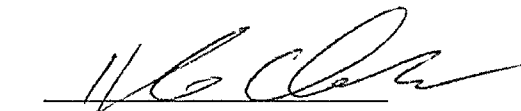
Federal law, neither the Escrow Agent nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the Escrow Agent (i) boycotts Israel or (ii) will boycott Israel through the term of this Agreement. The terms "boycotts Israel" and "boycott Israel" as used in this paragraph have the meanings assigned to the term "boycott Israel" in Section 808.001 of the Texas Government Code, as amended.

SECTION 22: IRAN, SUDAN AND FOREIGN TERRORIST ORGANIZATIONS. The Escrow Agent represents that, to the extent this Agreement constitutes a governmental contract within the meaning of Section 2252.151 of the Texas Government Code, as amended, solely for purposes of compliance with Chapter 2252 of the Texas Government Code, and except to the extent otherwise required by applicable federal law, neither the Escrow Agent nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the Escrow Agent (i) engages in business with Iran, Sudan, or any foreign terrorist organization as described in Chapters 806 or 807 of the Texas Government Code, or Subchapter F of Chapter 2252 of the Texas Government Code, or (ii) is a company listed by the Texas Comptroller of Public Accounts under Sections 806.051, 807.051, or 2252.153 of the Texas Government Code. The term "foreign terrorist organization" in this paragraph has the meaning assigned to such term in Section 2252.151 of the Texas Government Code.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective upon signature of both parties.

Remainder of this page intentionally blank.

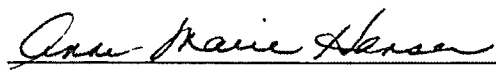
River Acres Water Supply Corporation

By: 
Authorized Representative

Date: 9/7/2018

Address:
15602 Northwest Blvd, Suite H
Robstown, Texas 78380-5932

UMB Bank, N.A.
as Escrow Agent

By: 
Title: Vice President

Date: 9/5/2018

Address:
6034 W. Courtyard Dr., Ste. 370
Austin, TX 78730

EXHIBIT A
Fee Schedule



**River Acres Water Supply Corporation
Principal Forgiveness Agreement**

**Texas Water Development Board
Escrow Account**

ESCROW AGENT FEE SCHEDULE

Acceptance Fee:

No Charge

One Time Escrow Account Setup/Administration Fee:

\$500.00*
(Per Account)

For ordinary administrative services by Escrow Agent – includes daily routine account management; cash transaction processing (including wire and check processing); disbursement of funds in accordance with the agreement; and online access to trust account statements. This fee is payable in advance, with the first installment due at the time of Escrow Agreement funding/execution.

Fee is based on the following assumptions:

- **Number of Escrow Accounts to be established: One (1)**
- **Number of Deposits to Escrow Account: One (1)**
- **Number of Withdrawals from the Escrow Fund: Various**

Charges for performing extraordinary or other services not contemplated at the time of the execution of the transaction or not specifically covered elsewhere in this schedule will be determined by appraisal in the amounts commensurate with the service provided.

Services not included in this Fee Schedule, but deemed necessary or desirable by you, may be subject to additional charges based on a mutually agreed upon fee schedule.

Our proposal is subject in all aspects to review and acceptance of the final financing documents which sets forth our duties and responsibilities.

**If funds are invested outside of a Money Market Fund an additional fee may be accessed on an annual basis to act as custodian.*





Loan Agreement Drinking Water State Revolving Fund

**TEXAS WATER DEVELOPMENT BOARD
AND
RIVER ACRES WATER SUPPLY CORPORATION
NUECES COUNTY, TEXAS**

**TWDB COMMITMENT NO. LM18763
TWDB PROJECT NO. 62773 (IUP FY 2018)
TWDB RESOLUTION NO. 18-034
CFDA No. 66.468**

RIVER ACRES WATER SUPPLY CORPORATION
TWDB COMMITMENT NO. LM18763
TWDB PROJECT NO. 62773
TWDB RESOLUTION NO. 18-034

LOAN AGREEMENT

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EXHIBITS

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Promissory Note	EXHIBIT B
TWDB Resolution No. 18-034.....	EXHIBIT C
River Acres Water Supply Corporation's Resolution.....	EXHIBIT D
List of Federal Laws and Authorities (Cross-Cutters).....	EXHIBIT E
Davis-Bacon Contract and Subcontract Provisions	EXHIBIT F
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Project Budget	EXHIBIT H
Escrow Agreement	EXHIBIT I

**LOAN AGREEMENT
BETWEEN THE
TEXAS WATER DEVELOPMENT BOARD
AND THE
River Acres Water Supply Corporation**

WHEREAS, River Acres Water Supply Corporation, located in Nueces County, Texas, (Corporation), has filed an application with the Texas Water Development Board (TWDB), for financial assistance from the Drinking Water State Revolving Fund (DWSRF) to finance the project identified as Project No. 62773; and

WHEREAS, on March 21, 2018 the TWDB, through TWDB Resolution No. 18-034, committed to provide a loan in the total amount of \$7,155,000 to the Corporation through multiple loans in 2018, 2019, and 2020; and

WHEREAS, the first loan is in the amount of \$3,620,000; and

WHEREAS, the TWDB and the Corporation are the Parties to this Agreement.

NOW, THEREFORE, the Parties mutually agree to adhere to the terms of this Agreement and to administer the funds provided through this Agreement in conformance with all applicable state and federal laws, regulations, TWDB Resolutions, and all terms and conditions set forth herein.

ARTICLE I. DEFINITIONS

The following terms, as used in this Agreement, have the meanings assigned below:

Additional Debt means parity debt issued by the Corporation for any lawful purpose subsequent to the execution of this Agreement, whether the debt is in the form of notes, bonds, or other obligations.

Agreement means this written Loan Agreement and the attached Exhibits.

Annual Debt Service Requirements means the amount of money on a total yearly basis required for the payment of principal and interest for the outstanding amount of the Note and Additional Debt.

Application means the Application for financial assistance submitted by the Corporation to the TWDB, in reliance upon which the Resolution was adopted and the Loan is to be made in accordance with the terms of this Agreement.

CCN means Certificate of Convenience and Necessity Number 11084 authorizing water service to the area served by the Corporation.

CFR means the Code of Federal Regulations.

Construction Account means an account dedicated to the payment of Eligible Expenses as defined by 31 TAC § 371.1(16) and required by the TWDB Resolution.

Deed of Trust means the Deed of Trust and Security Agreement of even date herewith executed by the Corporation which establishes a security interest to secure the debt obligation to the TWDB by providing for a first lien on certain real and personal property constituting the Corporation's System, in substantially the form attached hereto as **EXHIBIT A** of this Agreement.

Default means any non-performance or Default as defined in Article VIII of this Agreement, and as "Default" is defined in Texas Water Code § 6.114.

DWSRF means the Drinking Water State Revolving Fund, a program of financial assistance administered by the TWDB for water projects pursuant to the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq*; applicable federal regulations; Texas Water Code, Chapter 15, §§ 15.601 – 15.618; and 31 TAC Chapter 371.

Eligible Expense means the expenses allowed by TWDB program requirements and authorized by the TWDB in the approved Project Budget, attached hereto as **EXHIBIT H**.

EPA means the U.S. Environmental Protection Agency.

Escrow Account means an account established by the Corporation that will be used to manage the Loan funds in accordance with an escrow agreement acceptable to the Executive Administrator, attached hereto as **EXHIBIT I**.

Executive Administrator means the Executive Administrator of the TWDB or an authorized and designated representative.

Fiscal Year means the consecutive twelve-month period of the Corporation certified to the TWDB as its fiscal year.

Force Majeure means acts of god, strikes, lockouts, or other industrial disturbances, acts of the public enemy, war, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, droughts, tornadoes, hurricanes, arrests and restraints of government and people, explosions, breakage or damage to machinery,

pipelines or canals, and any other inabilities of either party, whether similar to those enumerated or otherwise, and not within the control of the party claiming such inability, which by the exercise of due diligence and care such party could not have avoided.

Green Project means a Project or portion of a Project that meets the EPA criteria for inclusion in the Green Project Reserve, including green infrastructure, water or energy efficiency improvements or other environmentally innovative activities.

Green Project Reserve means the equivalent amount of the EPA capitalization grant that is reserved or that TWDB has established as a goal for projects that meet the EPA's criteria for green projects.

Loan means the total amount of financial assistance from the TWDB under number LM18763 in the amount of \$3,620,000 from the DWSRF to finance the Project.

Loan Payment means scheduled payments required to be made by the Corporation to amortize the Note to pay other amounts due with respect to the Note, all as provided for in this Agreement, including (1) the principal of, and interest, if any, on such Note when due (whether at stated maturity or upon acceleration of stated maturity), and (2) any other payments required hereunder.

Note means the Promissory Note, which includes a repayment schedule of Loan Payments due from the Corporation to amortize the Note, attached hereto as **EXHIBIT B**.

Obligations means the Note in the amount of \$3,620,000 and this Agreement, together with all authorizing documents.

Operation and Maintenance Expenses means all reasonable and necessary expenses required for the efficient operation and maintenance of the System.

Outlay Report means the TWDB form regarding the total amount of cost incurred by the Corporation relating to the Project for the specified period.

Parties or Party means the TWDB and the Corporation and their authorized agents and assigns.

Pledged Revenues means all revenues and income of every nature derived or received by the Corporation from the operation and/or ownership of the System (exclusive of restricted gifts, grants, requests, donations and contributions), including the interest income from the investment or deposit of money in any fund required by this Agreement, less Operation and Maintenance Expenses.

Project means the project for which the TWDB is providing financial assistance under this Agreement and as further described in the Application approved in the TWDB Resolution and identified as Project No. 62773.

Reserve Fund means the fund maintained at the Corporation's depository bank for payment of Loan Payments in the event of failure by the Corporation to make payments on the requisite Loan Payment dates.

Revenue Fund means the fund created and held by the Corporation to be maintained as long as the Loan is outstanding and unpaid. All Pledged Revenues of the System, excepting investment income from the Reserve Fund, shall be credited to the Revenue Fund immediately upon receipt. All Operation and Maintenance Expenses of the System shall be paid from such amounts credited to the Revenue Fund as a first charge against the System revenues.

State means the State of Texas.

System means all properties, facilities and plants owned and operated by the Corporation for water supply, together with future improvements, extensions, enlargements and additions thereto.

TAC means the Texas Administrative Code.

TWDB Resolution means TWDB Resolution No. 18-034, dated March 21, 2018, attached hereto as **EXHIBIT C**, approving the Application and authorizing the execution of this Agreement.

ARTICLE II. RECITALS, REPRESENTATIONS, AND SPECIAL COVENANTS

2.01. AUTHORITY. This Agreement is authorized and required by the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.*, and is also governed by terms of the IUP; Texas Water Code, Chapter 6; Texas Water Code; Chapter 15, §§ 15.601 – 15.618; 31 TAC Chapter 371; and the TWDB Resolution.

2.02. APPLICABLE LAWS. In consideration of the performance of the mutual agreements set forth in this Agreement, the Corporation, by and through its designated and authorized representatives, agrees to plan, design, and/or construct the Project in compliance with the following:

- A. the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.*, and the EPA regulations at 40 CFR Part 35;
- B. all federal laws and regulations identified on **EXHIBIT E**;
- C. Texas Water Code, Chapter 15, §§ 15.601 – 15.618;

D. 30 TAC Chapter 290; and

E. 31 TAC Chapter 371.

2.03 RECITALS, FINDINGS AND REPRESENTATIONS OF THE TWDB. The TWDB hereby finds and represents as follows:

A. On March 21, 2018, the TWDB considered an Application filed by the Corporation for financial assistance from the DWSRF program. Based on the representations made by the Corporation in that Application, the TWDB adopted the TWDB Resolution in which the TWDB:

- (1) determined that the Corporation is eligible for financial assistance;
- (2) made a commitment to provide financial assistance in a total amount not to exceed \$7,778,400 for the Project; and
- (3) further committed to provide the financial assistance through the purchase of promissory notes in the aggregate amount of \$7,155,000 and the execution of loan agreements in 2018, 2019, and 2020 with \$623,400 in principal forgiveness in 2018.

B. The TWDB and the Corporation enter this Agreement to memorialize and set forth the terms and conditions for the first Loan in the series in an amount not to exceed \$3,620,000 with no obligation on the part of the Corporation with regard to the remaining commitments as described in the TWDB Resolution. The Executive Administrator is authorized to execute this Agreement on behalf of the TWDB pursuant to the TWDB Resolution, which is attached to this Agreement as **EXHIBIT C**. The Corporation is authorized to execute this Agreement through its authorized representative designated in a resolution duly adopted by the governing body of the Corporation, a copy of which is attached hereto as **EXHIBIT D**.

2.04. RECITALS, FINDINGS AND REPRESENTATIONS OF THE CORPORATION. The Corporation hereby finds and represents as follows:

- A. It was created pursuant to the provisions of Chapter 67 of the Texas Water Code, and Chapter 22 of the Texas Business Organizations Code (or their predecessor statutes) and Corporation is fully qualified to transact business in the State, and is fully and duly authorized by law and corporate proceedings to execute and deliver this Agreement and the Note.
- B. There has been no material change in the affairs or financial condition of the Corporation since filing the Application with the TWDB.

- C. It has been duly certified to provide water utility services under its CCN, if a CCN is required, and it will do or cause to be done all things necessary to preserve and keep in full force and effect the CCN.
- D. It will take all necessary actions throughout the term of this Agreement to maintain its corporate existence in accordance with the provisions of Texas Water Code Chapter 67 and Texas Business Organizations Code Chapter 22.
- E. The governing body of the Corporation has approved this Agreement and the Note by official action, a copy of which is attached hereto as **EXHIBIT D**, at an open meeting held in accordance with the provisions of Texas Government Code Chapter 551.
- F. This Agreement has been duly executed in compliance with all provisions of law and constitutes valid and legally binding obligations of the Corporation, enforceable against it in accordance with the terms of the Agreement.
- G. The execution of this Agreement and the performance of the transactions contemplated hereby will not violate any law or regulation, or its Articles of Incorporation, or Bylaws, or any judicial order, judgment, decree, or injunction, or contravene the provisions of or constitute a default under any agreement, indenture, note, resolution, or other instrument to which the Corporation is a party.
- H. It has disclosed to the TWDB all financial obligations of the Corporation secured by the Pledged Revenues.

2.05. SPECIAL COVENANTS AND REPRESENTATIONS. By executing this Agreement, the Corporation represents and covenants as follows:

- A. No Encumbrance. That the Corporation will not encumber, pledge or otherwise impair the revenues of the System in any manner with respect to the payment of any obligations or with respect to any liability, except for the payment of (1) Operation and Maintenance Expenses payable within the current Fiscal Year with current revenues; and (2) Additional Debt issued in accordance with Section 3.07 hereof, and the Corporation further covenants that it will in no way encumber, pledge or otherwise impair its title to the land used for the System or interests therein, or improvements and facilities of the System without prior Board approval.
- B. Prepayment. The Corporation may prepay all or part of the amounts of principal and interest then due on the Loan on any regularly scheduled payment date as specified in the Note, beginning no earlier than the first interest payment date that is ten (10) years from the date of the first delivery of funds from the TWDB to the Corporation.

C. Insurance and Indemnification.

1. The Corporation shall at all times keep insured with a responsible insurance company or companies such portions of the Project as are customarily insured by political subdivisions in the State that operate like properties in similar locations under similar circumstances. The Corporation shall insure against risks, accidents, casualties or loss in an amount that is customarily carried by such municipalities and political subdivisions and is at least sufficient to protect the TWDB's interest in the Project.
2. The Corporation is solely responsible for liability resulting from acts or omissions of the Corporation, its employees, contractors, or agents. The Corporation shall indemnify and hold the TWDB and the State harmless to the extent that the Corporation may do so in accordance with State law.
3. Loan funds shall not be used by the Corporation when sampling, testing, removing or disposing of contaminated soils and/or media at the project site. The Corporation 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 and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the Corporation, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law.

D. Permits. The Corporation shall be responsible for timely filing applications for all licenses, permits, registrations and other authorizations that the Corporation has identified in the application for financial assistance as required for the construction of the Project. The Corporation shall submit copies of all of these final licenses, permits, registrations and other authorizations issued by local, state and federal agencies to the TWDB within thirty (30) days of receipt from the issuing agency.

E. Rates and Charges. The Corporation covenants and agrees that so long as indebtedness pursuant to the Note is outstanding, the Corporation will fix, establish, maintain and collect such rates, charges and fees sufficient to provide for Operation and Maintenance Expenses, insurance coverage, Loan Payments and all outstanding obligations, and to maintain the funds required by this Agreement. The Corporation will annually review its rates and charges for compliance with these requirements.

F. Environmental Determination. The Corporation must comply with all conditions as specified in the final environmental finding of the Executive Administrator,

including the standard emergency discovery conditions for threatened and endangered species and cultural resources.

- G. Conveyance of Obligations. Prior to any action by the Corporation to convey its Obligations held by the TWDB to another entity, the conveyance and the assumption of the Obligations must be approved by the TWDB.
- H. Legal Status. The Corporation must notify the Executive Administrator prior to taking any actions to alter its legal status in any manner, such as by conversion to a conservation and reclamation district or a sale-transfer-merger with another retail public utility.
- I. Water Conservation and Drought Contingency Plan. If applicable, the Corporation shall adopt and implement a water conservation and drought contingency plan that complies with Texas Water Code §§ 11.1271 and 11.1272 and 31 TAC §§ 363.15 and 363.34 until all financial obligations to the TWDB have been discharged.
- J. Water Loss Audit. If the Corporation is a retail public utility as defined in Texas Water Code § 13.002 and the Corporation provides potable water, then the Corporation annually shall perform and file a water audit computing the Corporation's most recent annual system water loss with the TWDB. The first water audit shall be submitted by May 1st following the passage of one year after the effective date of this Agreement and then by May 1st every year thereafter during the term of this Agreement. The Corporation agrees to comply with 31 TAC § 358.6 relating to water audits.
- K. Uniform Commercial Code Filing. The Corporation agrees to make all Uniform Commercial Code filings necessary to perfect any security interest required by the TWDB as provided in this Agreement and in the TWDB Resolution.
- L. Securities and Exchange Commission Compliance. The Corporation agrees 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 owner of the Corporation's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the Corporation is an obligated person with respect to such bonds under SEC Rule 15c2-12.
- M. Registration. Pursuant to the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252, the Corporation shall obtain a Data Universal Numbering System (DUNS) Number and shall maintain registration in the System for Award Management (SAM).

- N. Project Useful Life. prior to the release of funds, the Corporation shall provide a schedule of the useful life of the project components prepared by an engineer as well as a certification by the applicant that the average weighted maturity of the obligations purchased by the TWDB does not exceed 120% of the average estimated useful life of the project, as determined by the schedule.

2.06. LABOR STATUTES AND REGULATIONS. The Corporation agrees to comply with the following statutes and regulations, and shall execute the certifications required by the TWDB related to same. Further, the Corporation shall ensure that each contract for work on the Project shall also contain the following requirements:

- A. Equal Employment Opportunity. The Corporation shall comply with Executive Order 11246 of September 24, 1965, entitled "Equal Employment Opportunity," as amended by Executive Order 11375 of October 13, 1967, and U.S. Department of Labor regulations at 41 CFR Chapter 60 relating to Office of Federal Contract Compliance, EEO. The Corporation shall include this provision in any contract or subcontract in excess of \$10,000 as required by 40 CFR § 31.36.
- B. Davis-Bacon Act Wage Rates. In accordance with the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.*, and the applicable IUP, the Corporation, its contractors and its subcontractors, for the Project that is funded in whole or in part with Loan funds, shall pay all laborers and mechanics at rates not less than those prevailing on similar projects in the same locality, as determined by the U.S. Secretary of Labor's Wage and Hour Division, in conformance with the Davis-Bacon Act, 40 U.S.C. §§ 3141 - 3148, 29 CFR Part 5, relating to Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction, and 29 CFR Part 3, relating to Contractors and Subcontractors on Public Work Financed in Whole or in Part by Loans or Grants from the United States. All contracts and subcontracts for the construction of the Project carried out in whole or in part with assistance made available as stated herein shall insert in full in any contract in excess of \$2,000 the contracts clauses as attached hereto as **EXHIBIT F.**
- C. Contract Work Hours and Safety Standards Act. The Corporation shall ensure that its contractors and subcontractors comply with the Contract Work Hours and Safety Standards Act, 40 U.S.C. §§ 3701 - 3708 and 29 CFR Part 5.

2.07. NO LOBBYING. The Corporation agrees to comply with 40 CFR Part 34, relating to New Restrictions on Lobbying. The Corporation understands and agrees that none of the funds provided under this Agreement shall be expended to pay any person for influencing or attempting to influence an officer or employee of any federal entity, or a Member of Congress, with regard to the awarding of any federal contract, federal grant, federal loan, or the extension, continuation, renewal, amendment or modification of any federal contract, loan, or grant. The Corporation shall require that all contracts in excess

of \$100,000 for work implementing the Project contain the following statement: IN ACCORDANCE WITH THE BYRD ANTI-LOBBYING AMENDMENT, ANY RECIPIENT WHO MAKES A PROHIBITED EXPENDITURE UNDER TITLE 40 CFR PART 34 OR FAILS TO FILE THE REQUIRED CERTIFICATION OR LOBBYING FORMS SHALL BE SUBJECT TO A CIVIL PENALTY OF NOT LESS THAN \$10,000 AND NOT MORE THAN \$100,000 FOR EACH SUCH EXPENDITURE.

2.08. IRON AND STEEL. The Corporation will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States as required by 31 TAC § 371.4, related EPA SRF Policy Guidelines and the TWDB American Iron and Steel Guidance, unless the Corporation has requested and obtained a waiver from EPA pertaining to the Project. This section applies in a manner consistent with United States obligations under international agreements. If the Corporation is a signatory to such an agreement, then the Corporation is under the obligation to determine its applicability and requirements and document the actions taken to comply for the TWDB.

2.09. PROCUREMENT. The Corporation shall comply with the following when procuring goods and services for work on the Project according to the requirements in this Section.

- A. Debarred and Suspended Vendors. Prior to selecting any contractor, the Corporation shall ensure that the contractor is not listed on the federal Excluded Parties List System and is not suspended or disbarred by either the State or the federal government. See the following websites for lists of suspended and debarred federal and State vendors:
www.window.state.tx.us/procurement/prog/vendor_performance/debarred,
and www.sam.gov.
- B. State Procurement Requirements. All purchases for goods, services or commodities made with funds provided under this Agreement shall comply with State and local procurement and contracting laws.
- C. Disadvantaged Business Enterprises. The Corporation agrees to comply with 40 CFR Part 33, relating to Participation by Disadvantaged Business Enterprises in EPA Programs.

2.10. FINANCIAL, MANAGERIAL AND TECHNICAL CAPABILITIES. The Corporation covenants to maintain its technical, financial, and managerial capability to ensure compliance with the Safe Drinking Water Act § 300-j12.

ARTICLE III. LOAN TERMS AND NOTE

3.01. LOAN TERMS. In consideration of and reliance on the Application and the Corporation's undertaking the duties and obligations to construct the Project, as described in Article V hereof, the TWDB agrees to loan to the Corporation the principal

sum of \$3,620,000 bearing interest at fixed rates as set forth in the Note. The Corporation agrees to use the Loan proceeds solely for Eligible Expenses in furtherance of the purposes set forth in the Application and in accordance with the Resolution, the terms and conditions of this Agreement, the Note, the Deed of Trust, and the rules, regulations, and policies of the TWDB. All approvals, permits and authorizations necessary for or in connection with the construction and operation of the Project must be completed and received by the Corporation prior to the release of funds for construction.

3.02. ISSUANCE OF NOTE.

- A. In consideration of the covenants and agreements as set forth in this Agreement, and to influence and enable the TWDB to make the Loan, this Agreement is executed to assure the payment of the Note, and to provide for the due and punctual payment by the Corporation of the Loan Payments to be made pursuant to the Note. The Corporation shall make the Loan Payments as provided in this Agreement.
- B. Notwithstanding any provisions of this Agreement or any other contract or agreement to the contrary, the Corporation's approval of this Agreement shall be the Corporation's agreement that all covenants and provisions herein affecting the Corporation shall, upon the delivery of the Note, become unconditionally valid and binding covenants and obligations of the Corporation so long as the Note and the interest thereon are outstanding and unpaid. The obligation of the Corporation to promptly make all Loan Payments specified herein when due shall be absolute and unconditional, and said obligation may be enforced as provided in this Agreement, regardless of any other provisions of this Agreement or any other contract or agreement to the contrary.

3.03. CONDITIONS FOR DISBURSEMENT OF FUNDS. No Loan proceeds shall be deposited into the Escrow Account or released until the applicable requirements and conditions in the TWDB Resolution and 31 TAC § 371.72, relating to Disbursement of Funds, are met. Construction Funds shall not be released unless the Corporation has complied with 31 TAC §§ 371.40 – 371.50, relating to Environmental Reviews and Determinations and §§ 371.60 – 371.62, relating to Engineering Review and Approval. If other conditions affect the release of funds, the Parties agree to negotiate in good faith regarding any new or different terms or conditions that become applicable to the release of funds.

3.04. DELIVERY OF LOAN FUNDS. The TWDB shall deposit the loan proceeds in the Escrow Account to be released to the Corporation's Construction Account at the direction of the Executive Administrator.

- A. Outlay Reports and Invoices. The Corporation shall submit the following documentation:

- (1) TWDB Outlay Report forms identifying:
 - (a) the total amount of costs incurred by the Corporation for the period covered by the Outlay Report; and
 - (b) invoices, receipts or other documentation satisfactory in form and in substance to the TWDB sufficient to establish the requested amount as an eligible cost incurred by the Corporation.
- (2) Outlay Report forms are due to TWDB quarterly during the planning, acquisition or design phases and monthly during the construction phase of the Project until the completion of the Project.

B. Release from Escrow Account. The Executive Administrator shall authorize the release of funds from Escrow when Outlay Reports have been approved by the TWDB.

3.05. INELIGIBLE EXPENSES. The Corporation must use Loan funds for Eligible Expenses. The Corporation must return any Loan funds that are used for expenses that cannot be verified as eligible or that are ineligible. The amount of Loan funds used for any ineligible or unverified expenses shall be credited against verified Eligible Expenses. If the total amount of Eligible Expenses is insufficient to fully offset the amount of improperly expended Loan funds, the Corporation must use other funds to fully repay the TWDB.

3.06. RESERVE FUND. The Corporation agrees to maintain at its depository bank a fund separate from all other funds and accounts established pursuant to this Agreement to be known as the Reserve Fund. Simultaneously with the deposit into the Escrow Account by the TWDB of the Note proceeds, the Corporation shall initiate monthly deposits in the Reserve Fund from available funds of the Corporation, commencing on or before the first day of the month following the transfer of the Note proceeds into Escrow (from operating revenues and/or from earnings on investments in the Reserve Fund) an amount not less than 1/60th of the average annual debt service requirements on the Note until the Reserve Fund contains an amount at least equal to 100% of the average annual debt service requirements of the Note (Required Reserve).

The Reserve Fund shall be maintained separately from any other reserve fund, and the Required Reserve shall not be affected by Additional Debt, issued in accordance with the provisions of Section 3.07 hereof. The Reserve Fund shall be used to pay the principal of or interest on the Note at any time when there is not sufficient money available for such purpose.

For the purpose of determining the amount on deposit to the credit of the Reserve Fund, investments in which money in such account shall have been invested shall be computed at the market value of such investment. The amount on deposit to the credit of the

Reserve Fund shall be computed by the Corporation at least annually, and shall be computed immediately upon any withdrawal from the Reserve Fund.

When and so long as the money and investments in the Reserve Fund total at least the amount of the Required Reserve, no deposits need be made to the credit of the Reserve Fund; but when and if the Reserve Fund at any time contains less than the Required Reserve (other than during the initial build-up period permitted in the first paragraph of this Section), the Corporation covenants and agrees to cure the deficiency in the required Reserve Fund within twelve (12) months from the date the deficiency in funds occurred. No investment of moneys held in the Reserve Fund shall have a maturity of greater than five years.

3.07. ADDITIONAL DEBT.

A. Subject to the provisions of this Section, the Corporation reserves the right to issue Additional Debt. If Additional Debt is issued to the TWDB, such Additional Debt shall be payable from and secured by revenues as pledged in this Loan Agreement and shall be secured by a Deed of Trust in the same manner and to the same extent as the current Note.

B. No Additional Debt shall be issued unless:

- (1) A certificate is executed by the President or the chief administrative officer of the Corporation to the effect that no default exists in connection with any of the covenants or requirements of this Agreement and the Reserve Fund contains the amount then required to be on deposit therein;
- (2) net system revenues are at least 1.25 times the average annual debt service requirements after giving effect to the additional obligations when net revenues are a) determined from the last completed fiscal year or a 12 consecutive calendar month period ending not more than ninety (90) days preceding the adoption of the additional obligations as certified by a certified public accountant; or b) the Corporation certifies that the Corporation is expected to continue to meet or exceed the net system revenue test with a minimum coverage of 1.25 times the average annual debt service requirement. An authorized representative of the Corporation must provide the calculations, identifying reasonable assumptions, in a manner and format that is acceptable to the Executive Administrator.; and
- (3) The reserve fund requirements of the Additional Debt are consistent with the Reserve Fund requirements herein, as determined by the TWDB.

C. All certifications must be delivered to the TWDB at least 30 days prior to any Additional Debt being issued.

- D. Subject to the requirements of this Section, the Corporation further reserves the right to issue notes, or other obligations of inferior liens and notes, or other obligations payable from sources other than the Pledged Revenues pledged herein.
- E. All Notes of all series from time-to-time issued and delivered under this Agreement shall be equally and ratably secured together.

ARTICLE IV. PAYMENT OF LOAN

4.01. PAYMENT.

- A. The Corporation unconditionally agrees that it shall make Loan Payments to the TWDB in lawful money of the United States, and in such amounts and at such times as shall be necessary to make full and prompt payment of the principal and interest when due as shown on in the Note, and all fees and expenses for the Note, and of all other amounts required to be paid by this Agreement. Upon the issuance and delivery of the Note to the TWDB and the transfer of the Loan proceeds into Escrow, the Corporation shall have received, and the TWDB shall have given full and complete consideration for the Corporation's obligation hereunder to make Loan Payments. The obligations of the Corporation to make the payments required by this Agreement shall be absolute and unconditional and shall not be subject to diminution by set-off, recoupment, counterclaim, abatement, or otherwise, and until such time as all Loan Payments shall have been made or provision therefor shall have been made in accordance with the Agreement, the Corporation: (i) will not suspend or discontinue, or permit the suspension or discontinuance of, any payments provided for in this Agreement; (ii) will perform and observe all of its other agreements contained in this Agreement; and (iii) will not terminate this Agreement for any cause including failure of the Project to comply with the plans and specifications therefor, any acts or circumstances that may constitute failure of consideration, destruction of, or damage to the Project, frustration of commercial purpose, any change in the tax or other laws or administrative rulings of or administrative actions by the United States or the State, or any political subdivision of either, or any failure of the TWDB to perform and observe any agreement, whether expressed or implied, or any duty, liability, or obligation arising out of or in connection with this Agreement. Nothing contained in this Section shall be construed to release the TWDB from the performance of any of the agreements on its part contained herein.
- B. All interest paid or agreed to be paid on the Loan shall, to the extent permitted by applicable law, be allocated and spread throughout the full term of the Note until payment in full of the principal of the Note so that interest thereon for such full period shall not exceed the maximum amount permitted by applicable law.

- C. Payment of all Loan Payments, including all such payments which may come due because of the acceleration of the maturity of the Note upon Default, or otherwise, under the provisions of this Agreement shall be made as required by this Agreement and the Note. If the date for the payment of the principal of or interest on this Loan shall be a Saturday, Sunday, legal holiday or day on which banking institutions where the depository bank of the Corporation is located are required or authorized by law or executive order to close, the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or day on which banking institutions are required or authorized to close and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.
- D. Recognizing that the Loan Payments will be the sole source for the payment of the Note, the Corporation shall be unconditionally obligated to make and pay, or cause to be made and paid, each Loan Payment regardless of whether or not the Corporation actually acquires or completes the Project, or whether or not the Corporation actually approves, purchases, receives, accepts, or uses the Project; and such payments shall not be subject to any abatement, set-off, recoupment, or counterclaim; and the holders of the Note shall be entitled to rely on this Agreement and representation, notwithstanding any provision of this Agreement or any other contract or agreement to the contrary, and regardless of the validity of, or the performance of, the remainder of this Agreement or any other contract or agreement. In consideration of its obligation to make or pay, or cause to be made or paid, the Loan Payments, the Corporation hereby pledges and grants a first lien to the TWDB of the Pledged Revenues of the System that is at least on a parity with any lien securing outstanding revenue obligations with the same pledge of security, as provided in Section 6.02 hereof.

4.02. PAYMENT BY WIRE TRANSFER. The Corporation agrees to wire all principal and/or interest payments at no cost to the TWDB according to instructions provided by the TWDB.

4.03. PREPAYMENT. The Corporation may prepay all or part of the amounts of principal and accrued interest then due on the loan on any regularly scheduled payment date as specified in the Note, beginning no earlier than the first interest payment date that is ten (10) years from the funding date of the Loan as shown in the Note.

ARTICLE V. THE PROJECT

5.01. TITLE. The TWDB shall have no right, title, or interest in and to the Project except as created by the Deed of Trust. Except for making the Loan to the Corporation in the manner provided in this Agreement, the TWDB shall not be responsible or liable in any manner for any claims, losses, damages, penalties, costs, taxes, or fines with respect to the construction, operation, maintenance, or ownership of the Project.

5.02. PROJECT REQUIREMENTS. The entity shall comply with the following requirements:

- A. Plans and Specifications. The Corporation shall construct the Project in accordance with the plans and specifications sealed by a State licensed engineer and as approved by the Executive Administrator in compliance with 31 TAC §§ 371.60 – 371.62.
- B. Changes to Plans and Specifications. The Corporation shall not make or implement any changes to the scope of the Executive Administrator's approved Project or to the specifications for the Project, including but not limited to, changes to the Green Project Reserve portion of the Project without the written approval of the Executive Administrator.
- C. Project Schedule. The Corporation shall adhere to the TWDB approved Project Schedule, attached as **EXHIBIT G**, and shall timely and expeditiously use loan proceeds and complete the Project. The Corporation shall not exceed or revise the Project schedule except upon written approval from the TWDB. The Corporation shall not delay the Project completion date except by amendment to this Agreement.
- D. Project Budget. The Corporation shall be solely responsible for all costs that exceed the TWDB approved Project Budget, attached as **EXHIBIT H**. The Corporation shall notify the Executive Administrator immediately when it appears that the Project Budget may not be sufficient to complete the Project. The Corporation shall not exceed the Project Budget except by amendment to this Agreement.
- E. Environmental Compliance. The Corporation shall comply with all environmental conditions and shall implement environmental mitigation measures as required through TWDB environmental review under 31 TAC Chapter 371, Subchapter E.

5.03. PROGRESS REPORTS. The Executive Administrator may request reports on the progress of the Project at any time. The reports shall contain information as directed by the Executive Administrator and shall be submitted periodically as requested. The Corporation shall respond as requested and a failure to respond may result in withholding the release of funds from the Escrow Account.

ARTICLE VI. FINANCING THE PROJECT

6.01. THE CONSTRUCTION ACCOUNT. The Corporation agrees to maintain at its depository bank an account separate from all other funds and accounts established pursuant to this Agreement to be known as the Construction Account. The TWDB shall make the Loan to the Corporation by depositing Loan proceeds into the Escrow Account. Loan proceeds deposited into the Escrow Account and then transferred to the

Construction Account with Executive Administrator approval may be used only for payment of Eligible Expenses and as allowed by this Agreement

6.02. SECURITY FOR THE LOAN. The Obligations of the Corporation under this Agreement shall be a direct general obligation of the Corporation. As additional security for the payment of the Loan Payments and as further consideration for the Loan made hereunder, there is attached to this Agreement, and made a part hereof as additional security for the payment of Loan payments, a Deed of Trust for the benefit of the holders of the Note, filed with the County Clerk of the county in which the property is located and with the Texas Secretary of State's Office, or filed with the Texas Secretary of State's Office with the statutorily required Notice of Utility Security Instrument Affecting Real Property filed with the County Clerk of the county or counties in which the property is located, and to further secure the prompt payment of the Loan payments and the performance by the Corporation of its other obligations hereunder, the Corporation hereby pledges and assigns to the TWDB, and grants a first lien security interest in, all Pledged Revenues of the System, that is at least on a parity with any lien securing outstanding revenue obligations with the same pledge of security, as evidenced by a security instrument filed with the Texas Secretary of State's Office.

6.03. FLOW OF FUNDS. Money in the Revenue Fund shall be applied in the following manner and order of priority:

- A. First, to the payment of Operation and Maintenance Expenses;
- B. Second, to pay the interest on and principal due on the Note, outstanding parity debt, and any Additional Debt in accordance with the provisions of this Agreement;
- C. Third, to pay the Reserve Fund amounts required to attain the Required Reserve in accordance with the provisions of this Agreement; provided that immediately prior to any such transfers, the deposits required or payments made by Sections 6.03(A) and (B) above have been made or provided for; and
- D. Fourth, to pay for any services, improvements or other costs of the System; provided that immediately prior to any such transfers the deposits required or payments made by Section 6.03(A) through (C) above have been made or provided for.

ARTICLE VII. REPORTING REQUIREMENTS

7.01. RECORDS AND ACCOUNTS. The Corporation shall comply with all terms and conditions relating to records of the Project as follows:

- A. **Duty to Maintain Records.** The Corporation shall maintain financial accounting records relating to the Project in accordance with Generally Accepted Accounting Principles (GAAP). The Corporation shall also require its contractors to maintain

financial accounting records consistent with GAAP and with State laws applicable to government accounting. All accounting and other financial documentation shall be accurate, current, and shall reflect recordation of the transactions at or about the time the transactions occurred.

- (1) Single Audit Act, 31 U.S.C. §§ 7501 - 7507. The Corporation shall comply with the Single Audit Act and with Office of Management and Budget Circular A-133, and otherwise ensure any audit is conducted with applicable OMB requirements.
 - (2) Green Projects. If all or part of the Project is designated as a Green Project, then the Corporation shall maintain separate tracking of the expenses related to that Project or portion of a Project that has been designated as an approved Green Project.
- B. Duty to Retain Records. The Corporation shall retain all financial records and supporting documents and any other documents pertinent to the Project in accordance with the requirements of 31 TAC § 371.86, relating to Records Retention. The TWDB requires the Corporation to retain all records related to this Agreement for a period of three (3) years after the Loan is paid in full.
- C. Public Records. The Corporation understands and agrees that all documents relating to this Agreement are subject to the Public Information Act, Texas Government Code Chapter 552, and that such documents may not be withheld from public disclosure, except in accordance with law and with the rulings of the Texas Attorney General. The Corporation shall promptly respond to a request by the TWDB for copies of any of the Corporation's records related to this Agreement.
- D. Access to Records.
- (1) State Auditor. By executing this Agreement, the Corporation accepts the authority of the Texas State Auditor's Office to conduct audits and investigations in connection with all funds received pursuant to this Agreement. The Corporation shall comply with directives from the Texas State Auditor and shall cooperate in any such investigation or audit. The Corporation agrees to provide the Texas State Auditor with access to any information the Texas State Auditor considers relevant to the investigation or audit. The Corporation 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 investigation by the State Auditor's Office in connection with all funds received pursuant to the contract or subcontract.

- (2) TWDB, EPA, and Comptroller General of the United States. The Corporation agrees that the TWDB, the EPA, and the Comptroller General of the United States shall have full access to any books, documents, papers, and records which are related to the funds expended under this Agreement and that further these federal entities may make audit, examination, copy excerpts, and make transcriptions of any such books, documents, papers, and records. The standards of administration, property management, audit procedures, procurement and financial management, and the records and facilities of the Corporation and its contractors are subject to audit and inspection by the TWDB and by the EPA and by any other authorized State or federal entity. All books, documents, papers, and records of the Corporation related to this Agreement shall be made available for audit, examination, excerpt, and transcription by the staff of the TWDB within a reasonable time after a request from the TWDB. The Corporation understands and agrees that the EPA's Regional Administrator may, after a thirty day written notice, review any records the Regional Administrator deems necessary to determine compliance with all federal requirements concerning the federal funds provided under this Grant Agreement.

- E. Updating Information. The Corporation shall provide the TWDB with updated information, reports, statements and certifications as requested by the Executive Administrator relating to the financial condition of the Corporation or the Project and the use of Loan funds. The Corporation shall promptly notify the TWDB of any material change in the activities, prospects or conditions of the Corporation relating to the Project, or its ability to observe and perform its duties, covenants, obligations and agreements under this Agreement.

7.02. ANNUAL AUDIT. During the Term of this Agreement, the Corporation shall submit an annual audit of the general purpose financial statements prepared in accordance with GAAP by a certified public accountant or licensed public accountant. Audits shall be submitted to the TWDB no later than one-hundred and twenty (120) days following the close of the Corporation's fiscal year.

7.03. BUDGET. The Corporation shall deliver a copy of its adopted budget to the TWDB no later than thirty (30) days prior to the start of each Fiscal Year of the Corporation.

7.04. FINAL ACCOUNTING. The Corporation shall provide a final accounting of funds expended on the Project pursuant to 31 TAC § 371.85.

ARTICLE VIII. NON-PERFORMANCE AND REMEDIES

8.01. STOP WORK ORDERS.

- A. Stop Work Order (SWO). The Executive Administrator may issue a written SWO to the Corporation at any time for failure to comply with any provision of this

Agreement. The SWO shall provide the Corporation with notice of the facts supporting the determination to issue the SWO. The SWO may require cessation of work immediately or at a definite future date. The SWO shall provide the Corporation with a specified time to cure.

- B. The Corporation's Response. The Corporation shall provide a written response to the SWO and shall provide the Executive Administrator with a detailed plan to address and cure the conditions supporting the SWO. The Corporation shall provide the response within five (5) business days from its receipt of the SWO.
- C. Executive Administrator's Reply. The Executive Administrator may accept, reject or amend the Corporation's plan and shall provide notice of such action to the Corporation within five (5) business days of receipt of the response. The Executive Administrator may issue an amended SWO that allows resumption of work contingent upon the Corporation's execution of the plan to cure. The Executive Administrator may modify the Corporation's plan to cure only in a manner consistent with the terms and conditions of this Agreement.
- D. The Corporation's Option. The Corporation shall notify the Executive Administrator within five (5) business days whether it accepts the amended plan. If the Corporation does not accept the amended plan, the Executive Administrator may declare a Default and pursue any remedies available. Upon successful completion of the plan to cure the conditions causing the SWO, the Corporation shall continue work to complete all obligations under this Agreement.

8.02. DEFAULT. A Default means the occurrence and/or continuance of any one of the following:

- A. the failure of the Corporation to make payment of any Loan Payment within ten (10) business days of the date such Loan Payment is due and payable; or
- B. the failure of the Corporation to carry out or comply with the specific activities in the Application or with any of the terms or conditions of this Agreement, the Note, the Deed of Trust, or any applicable State or Federal laws or rules of the TWDB, and the continuation of said failure, inability or unwillingness for a period of thirty (30) days following written notice from the TWDB to the Corporation; or
- C. the failure of the Corporation to carry out or comply with the specific activities of any other instrument evidencing a debt or other obligations of the Corporation to the TWDB or securing such a debt or other obligation, and default under any such other instrument; or
- D. the Corporation becomes insolvent, or ceases or is unable to, or admits in writing its inability to pay its debts as they mature, or makes a general assignment for the benefit of or entering into any composition or arrangement with creditors; or the

Corporation is the debtor in proceedings for the appointment of a receiver, trustee, or liquidator of the Corporation or of a substantial part of its assets, being authorized or instituted by or against the Corporation; or

- E. the event in which the Corporation were to be adjudicated bankrupt or insolvent or commencing a voluntary case under the federal bankruptcy laws of the United States or filing a voluntary petition or answer seeking reorganization, an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition files against it in any bankruptcy, organization or insolvency proceeding, or action taken by the Corporation for the purpose of effecting any of the foregoing; or
- F. if, without the application, approval or consent of either of the Parties to this Agreement, a proceeding shall be instituted in any court of competent jurisdiction under any law relating to bankruptcy, insolvency, reorganization, dissolution, winding up, liquidation, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator, custodian or the like of the Corporation of all or any substantial part of its assets or other like relief under bankruptcy or insolvency law, and the same shall (i) result in the entry of an order for relief or any such appointment or (ii) continue undismissed, or pending and unstayed, for a period of thirty (30) calendar days from the commencement of such proceeding; or
- G. the failure of the Corporation to remedy any material, adverse change in its financial or other condition arising since the date of the Resolution approving the Loan, and the continuation thereof for a period of thirty (30) days following written notice thereof by the TWDB to the Corporation.

8.03. TERMINATION. The TWDB may terminate this Agreement in writing at any time. Upon receipt of a notice of termination, the Corporation shall immediately discontinue all work in connection with the performance of this Agreement and shall promptly cancel all existing orders or other financial commitments chargeable to funding provided pursuant to this Agreement, provided, however, that any costs for Eligible Expenses incurred prior to the receipt of such written notice by the Corporation shall be payable from the funding provided pursuant to this Agreement. Within thirty (30) days of the notice of termination, the Corporation shall submit a statement showing in detail the work performed, all payments received by the Corporation, and all payments made by or due from the Corporation to any contractor prior to the date of termination

8.04. SURVIVAL OF TERMS AND CONDITIONS.

- A. Termination or expiration of this Agreement for any reason shall not release either Party from any liabilities or obligations set forth in this Agreement that:

1. the Parties have expressly agreed shall survive any such termination or expiration, if any; or
 2. by their nature, would be intended to be applicable following any such termination or expiration.
- B. The Parties expressly agree that the following terms and conditions survive the termination or expiration of this Agreement.
1. Article II, sections 2.05(H) and 2.05(M).
 2. Article IX, General Terms and Conditions.

8.05. REAL ESTATE. If the Corporation purchases real estate for the Project with funds delivered under this Agreement and any of the real estate or portion of the real estate is not used for the Project, the Corporation shall repay to the TWDB the full amount of the funds for purchase of the real estate that is not used for the Project. Such amount shall be due and payable within 90 days after termination or expiration of this Agreement.

ARTICLE IX. GENERAL TERMS AND CONDITIONS

9.01. STATUTES, RULES, AND POLICIES. The Corporation agrees and covenants to comply with all applicable laws of the State and the United States and with the statutes, rules, and policies of the TWDB with respect to the Loan and performance of this Agreement.

9.02. USE OF PROCEEDS. The proceeds of the Note may be used only for the purpose of (1) paying the Eligible Expenses, and (2) the payment of the costs incident to the issuance of the Obligations.

9.03. FORCE MAJEURE. Unless otherwise provided, neither the Corporation nor the TWDB nor any agency of the State shall be liable to the other for any delay in or failure of performance of a requirement contained in this Agreement caused by *Force Majeure*. The existence of such causes of delay or failure shall extend the period of performance until after the causes of delay or failure have been removed provided the non-performing Party exercises all reasonable due diligence to perform. Each Party must inform the other in writing with proof of receipt within five (5) business days of the existence of such *Force Majeure* or otherwise waive this right as a defense.

9.04. ENTIRE AGREEMENT AND AMENDMENT. This Agreement, which incorporates all attached Exhibits, constitutes the entire agreement between the Parties. This Agreement may be amended only in writing signed by the Parties. The changes allowed by Section 5.02 do not require an Amendment to this Agreement unless a change to the Project Schedule, **EXHIBIT G**, or the Project Budget, **EXHIBIT H**, resulting in a greater total budget amount.

9.05. NO WAIVER. The failure of any Party to insist upon the strict performance of any of the terms, provisions, or conditions of this Agreement shall not be construed as a waiver or relinquishment for the future of the strict performance of any such term, provision, or condition or any other term, provision, or condition.

9.06. LAW AND VENUE. The validity, operation, and performance of this Agreement shall be governed and controlled by the laws of the State of Texas and applicable federal regulations, and the terms and conditions of this Agreement shall be construed and interpreted in accordance with the laws of the State. The Parties understand and agree that this Agreement is for the provision of financial assistance for the planning, design, acquisition and construction of the Project and as such all or part of the performance of the terms and obligations of the Agreement will be performed in Nueces County, Texas. Notwithstanding the location of the Project, the Parties understand and agree that any proceeding brought for any breach of this Agreement involving the TWDB shall be in Travis County, Texas. This section does not waive the sovereign immunity of the State of Texas or the TWDB.

9.07. NOTICES. All notices, notifications, or requests required or permitted by this Agreement shall be in writing and shall be transmitted by United States certified mail, return receipt requested, postage prepaid, to the addresses of the Parties shown below. Notice shall be effective when received by the Party to whom notice is sent.

Texas Water Development Board
Corporation

Attn: Executive Administrator
1700 N. Congress Ave., 6th Floor
Austin, Texas 78701-1496
5932

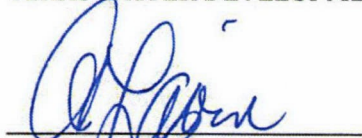
River Acres Water Supply

Attn: Field Manager
15602 Northwest Blvd Suite H
Robstown, Texas 78380-

9.08. SEVERABILITY. If any provision of the Agreement or the application thereof to any circumstance shall be held to be invalid, the remainder of this Agreement and the application thereof to other circumstances shall nevertheless be valid, and the Parties hereby declare that this Agreement would have been enacted without such invalid provision.

9.09. TERM. This Agreement is effective on the date signed by the Executive Administrator. The Agreement shall expire upon the successful completion of the Project and Final Accounting in accordance with Section 7.04 of this Agreement.

TEXAS WATER DEVELOPMENT BOARD



Jeff Walker
Executive Administrator

Date 9-11-18

**RIVER ACRES WATER SUPPLY
CORPORATION**



Kyle Clark
President

Date: September 7, 2018

EXHIBIT A
Deed of Trust and Security Instrument

THIS INSTRUMENT GRANTS A SECURITY INTEREST BY A UTILITY
THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS

DEED OF TRUST AND SECURITY AGREEMENT

THE STATE OF TEXAS §
 §
COUNTY OF NUECES §

This Deed of Trust and Security Agreement (this "Deed of Trust") is made and entered into by and between the undersigned RIVER ACRES WATER SUPPLY CORPORATION with its principal place of business in Nueces County, Texas, whose address is 15602 Northwest Blvd, Suite H, Robstown, Texas 78380-5932 as the borrower (the "Borrower"), and the EXECUTIVE ADMINISTRATOR OF THE TEXAS WATER DEVELOPMENT BOARD and/or any successor in office, as trustee, (the "Trustee"), whose mailing address is 1700 North Congress Avenue, P.O. Box 13231, Austin, Texas 78711-3231 and the TEXAS WATER DEVELOPMENT BOARD, as beneficiary, (the "Beneficiary").

WHEREAS, the Borrower has all the rights, powers, privileges, authority, and functions given by the general laws of the State of Texas to non-profit water supply or sewer service corporations created and operating pursuant to Chapter 67, Texas Water Code, as amended, and is authorized to execute and notes to carry out its corporate purposes and to refund such obligations; and

WHEREAS, the Borrower, through its Board of Directors, has duly adopted a resolution authorizing a request for financial assistance from the Texas Water Development Board and authorizing the execution of a certain promissory note (the "Note"), loan agreement (the "Loan Agreement"), and other documents as necessary for completion of the loan transaction; and

WHEREAS, Borrower is indebted to the Beneficiary as evidenced by the Loan Agreement and the Note, executed by the Borrower and payable to the order of the Beneficiary, which authorizes acceleration of the entire indebtedness at the option of the Beneficiary upon any default by the Borrower, and is described as follows:

Date of Instrument

Principal Amount

\$3,620,000

WHEREAS, the Note evidences a loan to the Borrower, and the Beneficiary at any time may assign the Note and insure payment thereof pursuant to the terms of the Loan Agreement between the Borrower and the Beneficiary which contains the terms and conditions pursuant to which the Beneficiary provides monies to the Borrower to finance the Construction (as defined in the Loan Agreement) of the Borrower's water system (the "Water System"); and

WHEREAS, this conveyance is made in trust to further secure payment of a debt in the principal sum of three million six hundred twenty thousand and no/100 dollars (\$3,620,000) with interest thereon ("Debt") becoming due and payable to the Beneficiary under the terms of the Note or this Deed of Trust, including (but not limited to) any extension, renewal or re-amortization of said Debt, any increase or addition thereto and any future debt owing by the Borrower to the Beneficiary, the payment thereof being secured or intended to be secured hereby; and to further secure performance and discharge of each and every promise, obligation, covenant and agreement of the Borrower contained in the Note, this Deed of Trust or any other instrument executed by the Borrower pertaining to said Debt;

WHEREAS, pursuant to the Loan Agreement and subject to the terms and provisions thereof, principal and interest on the Note shall be payable from and secured by a parity first lien on and pledge of the revenues of the Water System.

NOW, THEREFORE, the Borrower does hereby bargain, sell, grant, convey, transfer, mortgage, pledge and assign to the Trustee and its successors and substitutes in trust hereunder for the benefit of the Beneficiary or the holders of the Note, the real and personal property, rights, titles, interests and estates more particularly described in Article II hereof.

ARTICLE I SECURED OBLIGATIONS

1.1 This Deed of Trust is executed and delivered by the Borrower to secure the payment and performance of certain indebtedness, liabilities and obligations owing to or in favor of the Beneficiary, as follows:

- (a) the payment by the Borrower of all indebtedness evidenced by the Note;
- (b) any and all amounts, liabilities, and obligations for which or for the performance of which the Borrower may become indebted or obligated under the terms of this Deed of Trust;
- (c) any and all renewals, rearrangements, and extensions of the foregoing items of indebtedness and obligations; and
- (d) additional parity debt issued to the Board and known as Additional Notes, subject to the provisions of Article III of the Loan Agreement, which are payable from and secured by a loan agreement and shall be covered by this Deed of Trust in the same manner and to the same extent as the Note.

Provided, however, that the enumeration of items of indebtedness set forth in paragraph 1.1(c) above shall not include and is expressly excepted from any items of indebtedness owing or to become owing to the Beneficiary for which applicable law prohibits the taking of a lien upon real estate as security, including, but not limited to, items of indebtedness incurred pursuant to Chapter 4 or 15 of the Texas Credit Code, as amended.

1.2 As set out in the Loan Agreement and the Note, the Loan Agreement and the Note are and shall be secured on an equal and ratable basis with the liens and security instruments securing such obligations being of equal dignity and priority.

1.3 Each and every item of indebtedness described and included in Section 1.1 above is intended to be fully secured by the liens, assignments, and security interests created under and by virtue of this Deed of Trust; and all such items so secured (now or hereafter existing) are hereinafter collectively called the "Deed of Trust Secured Obligations."

ARTICLE II GRANT OF MORTGAGED PROPERTIES

2.1 For the purposes and trusts hereinafter set forth, and for TEN AND NO/100 DOLLARS (\$10.00) and other valuable consideration paid to the Borrower, the receipt and sufficiency of which are hereby acknowledged, the Borrower has GRANTED, SOLD, and CONVEYED, and by these presents does GRANT, SELL, and CONVEY, unto the Trustee, subject to Section 2.3, all the following described property, to wit:

- (a) all those certain tract(s) or parcel(s) of land being situated in Nueces County, Texas, being more fully described as set forth on **Attachment A** hereto and hereby referred to and incorporated herein for all purposes;
- (b) all improvements upon the real property hereinabove described and hereafter placed thereon, and all fixtures, materials, equipment, apparatus, furniture, furnishings, building materials, supplies, and other property, real and personal, now or hereafter installed or used thereon or upon the improvements thereon, including, but not limited to, all heating, lighting, refrigerating, plumbing, ventilating, incinerating, water heating, cooling and air-conditioning equipment, fixtures and appurtenances, all engines and machinery, elevators, pumps, motors, window screens, window shades, venetian blinds, awnings, floor coverings, and shrubbery and other chattels and personal property used or furnished in connection with the operation, use, and enjoyment of such real property and the improvements thereon, all renewals, replacements, and substitutions therefor and additions thereto, all of which said property and fixtures shall be deemed to be a part of and affixed to the above described real property;
- (c) all rents, gross revenues, profits, income, damages, awards, and proceeds from or attributable to all or any portion of the real property hereinabove described, the improvements hereinabove described, and any other property, both real and personal, hereinafter described;
- (d) all documents, instruments, general intangibles, chattel paper, and accounts, whether now or hereafter existing, arising out of the sale or use of the hereinabove described properties, both real and personal, and all guarantees and suretyship agreements relating thereto and all security for payment thereof, now or hereafter existing or arising, and all proceeds from any such items enumerated in this clause (d);

- (e) each and every right, privilege, hereditament, and appurtenance in anywise incident or appertaining to the properties, both real and personal, described in this Section 2.1; and
- (f) all licenses, preliminary or final plat approvals, permits, warranties, and wastewater discharge capacity attributable or allocable to all or any portion of the real property hereinabove described, the improvements hereinabove described, and any other property, both real and personal, hereinabove described.

TO HAVE AND TO HOLD the hereinabove described properties together with the rights, privileges, and appurtenances thereto belonging (all of which properties, rights, privileges, and appurtenances are hereinafter collectively called the "Mortgaged Properties"), unto the Trustee and to his substitutes or successors forever, and the Borrower does hereby bind itself, its successors and assigns to warrant and forever defend all and singular the Mortgaged Properties unto the Trustee, his successors and assigns, against every person whomsoever lawfully claiming or to claim the same, or any part thereof, subject only to the specific matters, if any, set forth in **Attachment B** hereto.

2.2 Without in any way limiting the above conveyance and the warranty herein contained, the Borrower represents itself to be the owner of or have an option to purchase all of the Mortgaged Properties as hereinabove conveyed and, should any ambiguity exist in regard to the description of said properties, reference may be had to the Borrower's ownership of properties held by it in the survey(s), subdivision(s) or section(s) described in **Attachment A** for further description of the properties herein conveyed. The Borrower agrees that it will, upon request by the Beneficiary execute any further instruments, amendments, or supplements desired to more adequately describe the Mortgaged Properties which it has agreed to make subject to this Deed of Trust.

2.3 This conveyance, however, is intended as a deed of trust and security agreement and is made upon the following trusts, terms, and conditions, to wit: In the event the Borrower shall well and truly perform and pay the Deed of Trust Secured Obligations (including payment of all principal and all interest and attorneys' fees, if any, owing or to become owing thereon) to the legal holder thereof when the same shall become due or make provision for such payment, then this Deed of Trust and all herein contained shall be null and void and shall be released at the Borrower's expense, as provided in the Loan Agreement, otherwise this Deed of Trust shall continue in full force and effect; provided, however, that the Borrower's obligation to indemnify and hold harmless the Beneficiary and the Trustee pursuant to the provisions hereof shall survive any such payment or release.

ARTICLE III ASSIGNMENT OF REVENUES AND RENTS

3.1 The transfer of revenues, profits, and income as a portion of the conveyance of the Mortgaged Properties hereinabove made to the Trustee is specific in nature and irrevocable. So long as no Event of Default (hereinafter defined in Article VI) exists, but not otherwise, the Borrower may collect and retain the currently accruing revenues, profits, and income, but, in the event that rents do accrue to the Mortgaged Properties, the Borrower may not collect in excess of

one (1) month's rental in advance or two (2) months' rental in advance where one such month's rental is attributable to the next ensuing month and one such month's rental is attributable to the last month in the lease term and is collected as security under the provisions of a written lease or rental agreement. In the event, however, any Event of Default shall occur and be continuing, thereupon or any time thereafter, while such or any subsequent Event of Default continues, the Beneficiary may, personally or through an agent selected by such holder, take, or have the Trustee take, possession and control of the Mortgaged Properties, or any part thereof, and receive and collect all rents, if any, and revenues, profits, and income theretofore accrued or thereafter accruing therefrom so long as any of the Deed of Trust Secured Obligations remain outstanding or until the foreclosure of the lien hereof, applying so much thereof as may be collected prior to the sale of such property under foreclosure, first to the expenses incident to such possession, control, and collection and second to the payment of the Deed of Trust Secured Obligations in such order as the Beneficiary may elect, irrespective of whether then matured, paying the balance, if any to the Borrower. Notwithstanding the foregoing, in the event of any conflict between the provisions of this Article III and the terms of the Loan Agreement, the terms of the Loan Agreement shall control for all purposes.

3.2 In exercise of the rights and powers created under Section 3.1 above, the Borrower specifically agrees that the Beneficiary, the Beneficiary's agent, or the Trustee, as such party may see fit, may use against the Borrower or any other persons lawful or peaceful means to enforce the collection of any such rents, revenues, profits, and income, and to secure possession of the Mortgaged Properties, or any part thereof; settle or compromise on any terms the liability of any person or persons for any such rents, revenues, profits, or income; institute and prosecute to final conclusion actions of forcible entry and detainer, or actions of trespass to try title, or actions for damages, or any other appropriate actions, in the name of such person or in the name of the Borrower; and settle, compromise, or abandon any such actions. In furtherance of the foregoing and not by way of limitation, the Borrower binds itself to take whatever lawful or peaceful steps the Beneficiary may ask it to take for such purposes, including the institution and prosecution of actions of the character above stated; provided, however, the Borrower recognizes that neither the Trustee, the Beneficiary, or any person acting on behalf of the Beneficiary shall ever be required to collect any such rents or income or be liable or chargeable for failure so to do.

ARTICLE IV SECURITY AGREEMENT

4.1 Without limiting any of the other provisions of this Deed of Trust, the Borrower, as Debtor (referred to in this Article IV as the "Debtor"), expressly grants unto the Trustee for the benefit of the Beneficiary, as Secured Party (referred to in this Article IV as "Secured Party", whether one or more), a security interest in all the Mortgaged Properties (including both those now and those hereafter existing) to the full extent that the Mortgaged Properties may be subject to the Uniform Commercial Code of the State of Texas. The security interest granted hereby covers and includes all equipment, accounts, general intangibles, fixtures and other personal property used or acquired for us on or in connection with the use or operation of the Mortgaged Properties Secured Transactions (Chapter 9, Business and Commerce Code of Texas, as amended) (hereinafter called the "Uniform Commercial Code").

4.2 The Debtor covenants and agrees with Secured Party that:

- (a) In addition to any other remedies granted in this Deed of Trust to Secured Party or the Trustee (including specifically, but not limited to, the right to proceed against all the Mortgaged Properties in accordance with the rights and remedies in respect of those Mortgaged Properties which are real property pursuant to section 9.502(c) of the Uniform Commercial Code), Secured Party may, should an Event of Default occur, proceed under the Uniform Commercial Code as to all or any part of the personal property (tangible or intangible) and fixtures included in the Mortgaged Properties (such portion of the Mortgaged Properties being referred to in this Article IV as the "Collateral"), and shall have and may exercise with respect to the Collateral all the rights, remedies, and powers of a secured party under the Uniform Commercial Code, including, without limitation, the right and power to sell, at one or more public or private sales, or otherwise dispose of, lease, or utilize the Collateral and any part of parts thereof in any manner authorized or permitted under the Uniform Commercial Code after default by a debtor, and to apply the proceeds thereof toward payment of any costs and expenses and attorneys' fees and legal expenses thereby incurred by Secured Party, and toward payment of the Deed of Trust Secured Obligations in such order or manner as Secured Party may elect.
- (b) Among the rights of Secured Party upon occurrence of an Event of Default and without limitation, Secured Party shall have the right, by any lawful means, to take possession of the Collateral or any part thereof and to enter, in any lawful manner, upon any premises where the same may be situated for such purpose without being deemed guilty of trespass and without liability for damages thereby occasioned, and to take any lawful action deemed necessary or appropriate or desirable by Secured Party, at its option and in its discretion, to repair, refurbish, or otherwise prepare the Collateral for sale, lease, or other use or disposition as herein authorized.
- (c) To the extent permitted by law, the Debtor expressly waives any notice of sale or other disposition of the Collateral and any other rights or remedies of a debtor or formalities prescribed by law relative to sale or disposition of the Collateral or exercise of any other right or remedy of Secured Party existing after default hereunder; and, to the extent any such notice is required and cannot be waived, the Debtor agrees that, if such notice is mailed, postage prepaid, to the Debtor at the address shown opposite the Debtor's signature below at least five (5) days before the time of the sale or disposition, such notice shall be deemed reasonable and shall fully satisfy any requirement for giving of said notice.
- (d) Upon occurrence of an Event of Default or upon the occurrence of any event or condition which after either or both the passage of time and the giving of notice would constitute an Event of Default, Secured Party is hereby granted the express right, at its option, to transfer to itself or to its nominee the Collateral, or any part thereof, to notify any obligor or account debtor in the case of any Collateral to make payment directly to Secured Party, and to receive the money, income,

proceeds or benefits attributable or accruing thereto and to hold the same as security for the Deed of Trust Secured Obligations or to apply the same on the principal and interest or other amounts owing on any of the Deed of Trust Secured Obligations, whether or not then due, in such order or manner as Secured Party may elect. With respect to the Collateral, the Debtor, for itself, its successors and assigns, hereby expressly and specifically waives all rights to a marshaling of the assets of the Debtor, including the Collateral, or to a sale in inverse order of alienation.

- (e) All recitals in any instrument of assignment or any other instrument executed by Secured Party or by the Trustee incident to sale, transfer, assignment, lease, or other disposition or utilization of the Collateral or any part thereof hereunder shall be full proof of the matters stated therein, no other proof shall be requisite to establish full legal propriety of the sale or other action or of any fact, condition or thing incident thereto, and all prerequisites of such sale or other action and of any fact, condition or thing incident thereto shall be presumed conclusively to have been performed or to have occurred.
- (f) Secured Party may require the Debtor to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party that is reasonably convenient to both parties. The Debtor shall be fully liable for all expenses of retaking, holding, preparing for sale, lease or other use or disposition, selling, leasing or otherwise using or disposing of the Collateral which are incurred or paid by Secured Party as authorized or permitted hereunder, including also all attorneys' fees, legal expenses, and costs, all of which expenses and costs shall constitute a part of the Deed of Trust Secured Obligations.
- (g) Certain of the Collateral is or will become "fixtures" (as that term is defined in the Uniform Commercial Code) on the real estate hereinabove described, and this Deed of Trust upon being filed for record in the real estate records shall operate also as a financing statement upon such of the Collateral which is or may become fixtures. The Debtor has an interest of record in the real estate.
- (h) Any copy of this Deed of Trust which is signed by the Debtor or any carbon, photographic, or other reproduction of this Deed of Trust may also serve as a financing statement under the Uniform Commercial Code by the Debtor, whose address is set opposite its signature below, in favor of Secured Party, whose address is set out above.
- (i) So long as any Deed of Trust Secured Obligations remain unpaid, unless the prior written specific consent and approval of Secured Party shall have first been obtained, the Debtor will not execute and there will not be filed in any public office any financing statement or statements affecting the Collateral other than financing statements in favor of Secured Party.

4.3 The Debtor warrants and represents to Secured Party that, except for the outstanding loans and attendant security interest granted to the U.S. Department of Agriculture,

Rural Development, and the security interest granted hereby in the Collateral and those securing the Note, the Debtor is the owner and holder of the Collateral, free of any adverse claim, security interest or encumbrance, and the Debtor agrees to defend the Collateral against all claims and demands of any person at any time claiming the same or any interest therein. The Debtor has fully disclosed and the current, outstanding loans from and the security interest granted to the U.S. Department of Agriculture, Rural Development. The Debtor further warrants and represents that it has not heretofore signed any other financing statements except those relating to the U.S. Department of Agriculture, Rural Development and that no financing statements signed by the Debtor are now on file in any public office except those statements granted to U.S. Department of Agriculture, Rural Development true and correct copies of which have been delivered to Secured Party.

ARTICLE V CERTAIN COVENANTS AND WARRANTIES OF THE BORROWER

5.1 The Beneficiary specifically acknowledges that the Borrower has disclosed the existence of previous loans and encumbrances resulting therefrom; specifically those loans and encumbrances relating to the U.S. Department of Agriculture, Rural Development. The Beneficiary and the Borrower agree that the Beneficiary's interest in the Mortgaged Properties is more specifically defined in the Parity Agreement among the Borrower, the Beneficiary and the U.S. Department of Agriculture, Rural Development. As further assurances with regard to the Deed of Trust Secured Obligations, the Borrower hereby covenants, warrants, and agrees in favor of the Beneficiary, as follows, subject to the Parity Agreement:

- (a) The Borrower covenants and agrees that, should it be discovered after the execution and delivery hereof there is a lien or encumbrance of any nature whatsoever upon the Mortgaged Properties or any part thereof, equal or superior in rank to the lien of this Deed of Trust or in case of an error of defect herein, or the execution or acknowledgment hereof, the Borrower shall, upon demand from the Beneficiary, correct such defects in such title, or remove said liens or encumbrances or homestead claim, or correct such error or defect in this Deed of Trust or its execution or any acknowledgment hereof.
- (b) From and after the date hereof, the Borrower agrees that it shall not voluntarily grant any liens that might be argued to have priority over the Note. The Borrower further agrees not to suffer or permit there to exist any lien against the Mortgaged Properties involuntarily imposed by operation of constitution, statute, ordinance, judgment or decree and, if such lien is imposed, to immediately obtain the release and discharge of record of such lien, whether by payment or bonding and to take such other and further action as the Beneficiary may reasonably request you protect the intended lien priority.
- (c) The Borrower covenants and agrees that, after any sale under this Deed of Trust, it, or its successors or assigns, shall be mere tenants at sufferance of the purchaser of the property at such sale, and that such purchaser shall be entitled to immediate possession thereof, and that, if the Borrower fails to vacate such property immediately, such purchaser may and shall have the right to go into any court

having venue, or in any other court hereafter having jurisdiction of forcible detainer actions, and file an action in forcible detainer, which action shall lie against the Borrower or its successors or assigns as tenants at sufferance.

- (d) The Borrower expressly agrees that the Beneficiary shall be fully subrogated to the rights of all holders of any vendor's liens or other liens whose indebtedness is paid in whole or in part with the proceeds of the Deed of Trust Secured Obligations. To the extent that the Deed of Trust Secured Obligations represent funds advanced for the acquisition of any of the Mortgaged Properties, the Borrower acknowledges and agrees that the Beneficiary is entitled to a vendor's lien securing the payment of said indebtedness, and the Borrower further specifically covenants, stipulates, and agrees that foreclosure under the power of sale contained in this Deed of Trust shall operate to fully foreclose such vendor's lien.

5.2 The Borrower shall keep all insurable Mortgaged Properties insured for the protection of the Beneficiary against loss by fire, hazards in such manner, in such amounts, and in such companies as the Beneficiary may approve, and shall keep and maintain the policies therefore, properly endorsed, on deposit for inspection by the Beneficiary. The Borrower assigns to the Beneficiary all right and interest in all such policies of insurance and authorizes the Borrower to collect for, adjust or compromise any losses under any insurance policy on the Mortgaged Properties and apply said loss proceeds on the debt, whether due or not or to the restoration of the Mortgaged Properties, or to be released to the Borrower, but such application or release shall not cure or waive any default.

5.3 The Borrower will not commit or permit any waste on the Mortgaged Properties and will keep all buildings, fences and all other improvements now or hereafter erected on the Mortgaged Properties in sound condition and in good repair and will neither do nor permit to be done anything to the Mortgaged properties that may impair the value thereof, and the Beneficiary shall have the right of entry upon the Mortgaged Properties at all reasonable times for the purpose of inspecting the same.

5.4 The Borrower will pay (prior to delinquency) any and all taxes and assessments levied or assessed upon the Mortgaged Properties or the interest created therein by this Deed of Trust, and exhibit the receipts therefor to the Beneficiary and will defend the title and possession of the Mortgaged Properties to the end that this Deed of Trust shall be and remain a parity first lien on the Mortgaged Properties until said Debt is paid.

5.5 As additional security for the payment of said Debt, the Borrower hereby transfers and assigns unto the Beneficiary all judgments, awards of damages and settlements hereinafter made resulting from condemnation proceedings or the taking of all or any part of the Mortgaged Properties under the power of eminent domain or for any damage to all or any part of the Mortgaged Properties.

ARTICLE VI DEFAULT

6.1 For purposes of this Deed of Trust, “Event of Default” means any failure by the Borrower to keep and perform the Borrower’s covenants and obligations under the Note or this Deed of Trust; and any breach of the Loan Agreement. The Beneficiary specifically acknowledges that the Borrower has disclosed the existence of previous loans and encumbrances resulting therefrom; specifically those loans and encumbrances relating to the U.S. Department of Agriculture, Rural Development. The Beneficiary and the Borrower agree that the Beneficiary’s interest in the Mortgaged Properties is more specifically defined in the Parity Agreement among the Borrower, the Beneficiary, and the U.S. Department of Agriculture, Rural Development.

6.2 Upon the occurrence of an Event of Default, subject to the terms of any Consent Agreement then in effect, so long as such default remains uncured, the Beneficiary shall have the option and right to take any one or more of the following actions, subject to the terms of the parity agreement: (i) proceed to enforce the lien of this Deed of Trust, (ii) pursue any and all other remedies available to the Beneficiary whether set forth herein or otherwise available at law or in equity.

6.3 Each of the rights and remedies set forth in this Deed of Trust or available at law or in equity shall be cumulative and concurrent, may be pursued jointly or severally against the Borrower or any of the Mortgaged Properties, and shall be nonexclusive. The election to pursue any such right or remedy shall not be deemed a waiver, then or thereafter, to pursue any other such right or remedy.

6.4 The acceptance of payment of any portion of the Deed of Trust Secured Obligations after its due date or after the giving of notice of an Event of Default and of election to accelerate the maturity of the Deed of Trust Secured Obligations shall not waive any right of the Beneficiary to require prompt payment when due of all other sums constituting Deed of Trust Secured Obligations or to declare an Event of Default for failure to pay the entire unpaid balance of the Deed of Trust Secured Obligations, or any right of the Beneficiary to proceed with foreclosure sale pursuant to any such notice and acceleration for any unpaid balance of the Deed of Trust Secured Obligations. Waiver of a right granted to the Beneficiary as to one transaction or occurrence shall not be deemed a waiver of such right as to any subsequent transaction or occurrence.

ARTICLE VII CERTAIN REMEDIES; POWER OF SALE

7.1 In the event that the Borrower fails or refuses to pay any taxes or assessments upon the Mortgaged Properties before the same become delinquent, fails to take out or procure or maintain such insurance as is required by this Deed of Trust or the Indenture, or fails to perform any other covenant or to pay any other obligation of the Borrower set forth in this Deed of Trust or set forth in the Loan Agreement or in any other agreement, including the Parity Agreement, or any instrument evidencing or securing the Deed of Trust Secured Obligations, then in any such case the Beneficiary, at its option and without any obligation to do so, may pay any such taxes or

assessments (without being required to examine the legality or justice of same), take out or procure such insurance, or tender such performance or payment. All amounts advanced by the Beneficiary as aforesaid shall be due and payable upon demand, shall become a part of the Deed of Trust Secured Obligations, shall bear interest from the date such payments are advanced until the repayment thereof at the lesser of eighteen percent (18%) per annum or the highest nonusurious rate of interest set forth in the instruments evidencing the Deed of Trust Secured Obligations, and shall be fully secured by the liens, assignments, and security interest of this Deed of Trust. Any amounts so paid, as well as the time of payment thereof, shall be deemed fully established by the affidavit or certificate of the Trustee or the Beneficiary. The Borrower agrees that the payment of such taxes or assessments, the procuring and maintaining of such insurance, or the tendering of any such performance or payment by the Beneficiary shall not prevent the Beneficiary from declaring the Deed of Trust Secured Obligations to be due and payable under the provisions hereof by reason of such Event of Default and pursuing any other remedies available to the Beneficiary should the Beneficiary so elect.

7.2 Upon the occurrence of an Event of Default, and at the request of the Beneficiary, the Trustee, or the Trustee's successors, and in conformance with the Parity Agreement, (a) may foreclose this Deed of Trust either by court action pursuant to law or by advertisement and sale of the property as provided by law, for cash or secured credit at the option of the Beneficiary, personal notices of which sale need not be served on the Borrower; (b) such sale may be adjourned from time to time without other notice than oral proclamation at the time and place appointed for such sale and correction made on the posted notices, and at such sale the Beneficiary and its agents may bid and purchase as a stranger; (c) the Trustee at the Trustee's option may conduct such sale, without being personally present, through the Trustee's delegate authorized by the Trustee for such purpose orally or in writing and without notice to the Borrower of such authorization; and (d) if the property is situated in two or more counties, the sale may be held in any of such counties selected by the Beneficiary in its sole discretion, as an entirety or in parcels, by one sale or by several sales, held at one time or at different times, all as the Trustee acting may elect consistent with such written direction of the Beneficiary.

7.3 Posting, serving, filing, and giving notices of sale will comply with the provisions of Section 51.002 of the Texas Property Code. The manner herein prescribed for posting, serving, filing, or giving any notice, other than that to be posted and filed or caused to be posted and filed by the Trustee, shall not be deemed exclusive but such notice or notices may be posted, served, filed, or given in any other manner which may be permitted by applicable law.

7.4 At any sale conducted under this Deed of Trust, credit upon all or any part of the Deed of Trust Secured Obligations shall be deemed cash paid, but shall vest title in the Beneficiary to the extent provided in the Loan Agreement; and the Beneficiary or the holder of all or any part of the Deed of Trust Secured Obligations may purchase at any such sale. All proceeds of such sale shall be paid to the Beneficiary and the holder of the Note as provided under the Loan Agreement.

7.5 Without limiting any of the powers or remedies provided elsewhere, the Borrower agrees that, in the event the Deed of Trust Secured Obligations are payable in installments or include, at any time, items of matured as well as unmatured indebtedness, the Beneficiary or the holder of the matured installments or items of indebtedness, as the case may be, shall have the

right to have the Mortgaged Properties sold, subject to the part of the Deed of Trust Secured Obligations which is unmatured at the time the Trustee is requested to make such sale, and subject to the Parity Agreement, at the Trustee's sale to satisfy the lien and security interest hereof securing the then matured portion of said indebtedness, and the Trustee is expressly authorized and empowered to conduct such sale which is called in this Section "Installment Foreclosure". Any Installment Foreclosure made under this Section shall not affect the liens, assignments, and security interest of this Deed of Trust existing to secure that portion of the Deed of Trust Secured Obligations to which the sale is to be made subject. No Installment Foreclosure shall exhaust the power of the Trustee to conduct future Installment Foreclosures nor in anywise limit the powers of sale provided elsewhere in this Deed of Trust. The provisions elsewhere in this Deed of Trust relating to manner of conducting the Trustee's sales, including the posting, filing, and giving of notices thereof, shall also apply to any Installment Foreclosure and the same presumptions shall be applicable to any the Trustee's deed or recital therein contained in connection with an Installment Foreclosure and to any other affidavit as hereinabove provided.

7.6 In the case of the absence of the Trustee from the state, or of his death, refusal, or failure to act, or in the event the Beneficiary or the holder or holders of not less than a majority in amount of the Deed of Trust Secured Obligations should elect at any time (with or without cause) to remove the Trustee then acting, a successor or substitute may be named, constituted, and appointed by the Beneficiary or the holder or holders of not less than a majority of the amount of the Deed of Trust Secured Obligations, without further formality than an appointment and designation in writing, which appointment and designation shall be full evidence of the right and authority to make the same and of all facts therein recited; and this conveyance shall vest in the Successor or Substitute Trustee the title, powers, and duties conferred on the Trustee named herein and the conveyance by the Successor or Substitute Trustee to the purchaser at any sale made pursuant hereto shall be valid and effective as fully as hereinabove provided in the case of a conveyance by the Trustee. Such right to appoint a Successor or Substitute Trustee shall exist as often as and whenever the Trustee, original, successor, substitute, cannot or will not act or has been removed. The Borrower specifically covenants and stipulates that the recitals in the conveyance made to the purchaser, either by the Trustee or any Successor or Substitute Trustee, shall be full proof and evidence of the matters therein stated; no other proof shall be requisite of the request by the holder of the Deed of Trust Secured Obligations on the Trustee or on any Successor or Substitute Trustee to enforce this trust, or of the due, timely, and proper posting, filing, and giving of all notices and making of the sale, or any particulars thereof, or of the inability, refusal, or failure of the Trustee or any Successor or Substitute Trustee to act, or of the removal of the Trustee or any Successor or Substitute Trustee, or of the appointment of a Successor or Substitute Trustee, as herein provided, either as to the legality of his appointment or otherwise, or of the contingencies which brought about the failure or inability of the Trustee or any Successor or Substitute Trustee to act, or of his removal, as the case may be; all prerequisites of said sale shall be presumed to have been performed; and any sale made under the powers herein granted shall be a perpetual bar against the Borrower, its successors and assigns.

7.7 The right of sale hereunder shall not be exhausted by one or any sale, but, so long as any of the Deed of Trust Secured Obligations remain undischarged, the Trustee or Successor or Substitute Trustee may make other and successive sales until all the Mortgaged Properties shall be legally sold.

7.8 In the event the Borrower or any owner of the Mortgaged Properties, without first obtaining approval of the Beneficiary (which approval shall not be unreasonably withheld), should sell or otherwise dispose of the Mortgaged Properties, or any part thereof, at any time before this Deed of Trust is fully released and discharged, the Beneficiary shall have the option to declare the indebtedness hereby secured due and payable and if the same is not paid within ten (10) days after the same is declared due and payable, the Beneficiary may request the Trustee to commence foreclosure proceedings or other action authorized by this Deed of Trust to enforce the liens herein given. Failure to exercise this option shall not be considered as a waiver of the rights conferred in this Deed of Trust, but said option may be exercised at any time.

ARTICLE VIII ENVIRONMENTAL MATTERS

The Borrower covenants that:

- (a) the location, construction, occupancy, operation, and use of the Mortgaged Properties do not violate any applicable law (including, without limitation, applicable provisions of the Occupational Safety and Health Act of 1970, the Employee Retirement Income Security Act of 1974, the Americans with Disabilities Act of 1990, and corresponding rules and regulations), statute, ordinance, rule, regulation, order, or determination of any governmental authority or any board of fire underwriters (or other body exercising similar functions), or any restrictive covenant or deed restriction (recorded or otherwise) affecting the Mortgaged Properties, including, without limitation, all applicable zoning ordinances and building codes, flood disaster laws, and health and environmental laws and regulations (hereinafter sometimes collectively called "Applicable Regulations");
- (b) neither the Mortgaged Properties nor the Borrower is in violation of or subject to any existing, pending, or, to the best of the Borrower's knowledge, after due inquiry, threatened investigation or inquiry by any governmental authority or to any remedial obligations under any Application Regulations pertaining to health or the environment (hereinafter sometimes collectively called "Applicable Environmental Law"), including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. §9601 et seq., as amended ("CERCLA"), the Hazardous Materials Transportation Act, 49 U.S.C. §1801 et seq., as amended, the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. §6901 et seq., as amended, the Toxic Substance Control Act of 1976, 14 U.S.C. §2601 et seq., as amended, the Clean Water Act, 33 U.S.C. §466 et seq., as amended, the Clean Air Act, 42 U.S.C. §7401 et seq., as amended, and any other federal, state, or local law similar to those set forth in this definition, and, to the best of the Borrower's knowledge, after due inquiry, this representation and warranty would continue to be true and correct following disclosure to the applicable governmental authorities of all relevant facts, conditions, and circumstances, if any pertaining to the Mortgaged Properties. If any such investigation or inquiry is subsequently initiated, the Borrower will promptly notify the Trustee and the Beneficiary;

- (c) the Borrower has not obtained and, to the best of the Borrower's knowledge, after due inquiry, is not required to obtain any permits, licenses, or similar authorizations to construct, occupy, operate, or use any buildings, improvements, fixtures, and equipment forming a part of the Mortgaged Properties by reason of any Applicable Environmental Law.
- (d) the Mortgaged Properties have not previously been used as a landfill or as a dump for garbage or refuse; and the Mortgaged Properties do not lie within a flood plain or in an area that has been identified by the Secretary of the United States Department of Housing and Urban Development as an area having special flood hazards, or, to the extent a portion of the Mortgaged Property may fall within such flood plain, the Borrower shall provide sufficient insurance coverage against such hazard. The Borrower has not illegally or improperly manufactured, used, generated, stored, found, released, or disposed of any Hazardous Substance (as herein defined) on, under, or about the Site in violation of applicable federal, state, or local law, statute, ordinance, or regulation. The Borrower has no knowledge that any hazardous substance or solid wastes have been illegally or improperly disposed of or otherwise illegally or improperly released on or about the Mortgaged Properties;
- (e) the Mortgaged Properties do not contain asbestos, ureaformaldehyde foam insulation, or any other chemical, material, or substance exposure to which may or could pose a health hazard whether or not the substance is prohibited, limited, or regulated by any governmental authority; and
- (f) the use which the Borrower makes or intends to make of the Mortgaged Properties will not result in the illegal or improper manufacturing, treatment, refining, transportation, generation, storage, disposal, or other release or presence of any Hazardous Substance or solid waste on or to the Mortgaged Properties. For purposes of this Deed of Trust, the terms "Hazardous Substance" and "release" shall have the meanings specified in CERCLA, and the terms "solid waste" and "disposal" (or "disposed") shall have the meanings specified in RCRA, provided, in the event either CERCLA or RCRA is amended so as to broaden any meaning of any term defined thereby, such broader meaning shall apply subsequent to the effective date of such amendment, and provided, further, to the extent that the laws of the State of Texas establish a meaning for "hazardous substance", "release", "solid waste", or "disposal" which is broader than that specified in either CERCLA or RCRA, such broader meaning shall apply; provided, further, that the term "Hazardous Substance" shall also include those listed in the U.S. Department of Transportation Table (49 C.F.R. 172.101) and amendments thereto from time to time.

The foregoing representations, covenants, and warranties are in addition to, and in no way limit the representations, covenants, and warranties of the Borrower to the Trustee and the Beneficiary under the Loan Agreement and Note.

The Borrower shall immediately advise the Beneficiary in writing of (a) any governmental or regulatory actions instituted or threatened under any Hazardous Material Law affecting all or any part of or any interest in the Mortgaged Properties, (b) all claims made or threatened by any third party against the Borrower or the Mortgaged Properties relating to damage, contribution, cost recovery, compensation, or loss or injury resulting from any Hazardous Material, (c) the discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Mortgaged Properties that could cause the Mortgaged Properties to be classified in a manner which may support a claim under any Hazardous Material Law, and (d) the discovery of any occurrence or condition on any part of the Mortgaged Properties or any real property adjoining or in the vicinity of the Mortgaged Properties which could subject the Borrower or any part of the Mortgaged Properties to any limitations or restrictions on the ownership, occupancy, transferability or use thereof. At its sole cost and expense, the Borrower agrees to promptly and completely cure and remedy every existing and future violation of a Hazardous Material Law occurring on or with respect to any part of the Mortgaged Properties and to promptly remove all Hazardous Materials now or hereafter in, on or under all or any part of the Mortgaged Properties and to dispose of the same as required by Hazardous Material Law(s).

To the extent permitted by law, the Borrower shall indemnify, defend, and hold harmless the Trustee and the Beneficiary, their directors, officers, employees, agents, successors and assigns from and against (a) any loss, liability, demand, damage, cost, expense, claim, action or cause of action arising from the imposition or recording of a lien, the incurring of costs of required repairs, remediation, clean up or detoxification and removal under any Hazardous Material Law (including other associated costs, interest, fees, and penalties) with respect to all or any part of the Mortgaged Properties or liability to any third party in connection with any violation of a Hazardous Material Law; (b) any other loss, liability, damage, cost, expense, or claim (including, without limitation, reasonable attorneys' fees and disbursements and expenses, and costs and expenses reasonably incurred in investigation, preparing, settling or defending against any litigation or claim, action, suite, proceeding or demand of any kind of character, including, without limitation, those arising by reason of any action taken by each of the Trustee and the Beneficiary under this Deed of Trust, which is not caused by its own negligence or willful misconduct), which may be incurred by or asserted against the Trustee and the Beneficiary, its directors, officers, employees, successors or assigns, directly or indirectly, arising from the presence on or under, or the discharge, emission or release from any of the Mortgaged Properties into or upon the land, atmosphere, or any watercourse, body of surface or subsurface water or wetland, arising from the installation, use, generation, manufacture, treatment, handling, refining, production, processing, storage, removal, remediation clean up or disposal of any Hazardous Material whether or not caused by the Borrower; (c) loss of value of any of the Mortgaged Properties as a result of any such lien, remediation clean up, detoxification, loss, liability, damage, expense or claim or a failure or defect in title occasioned by any Hazardous Material or Hazardous Material Law; and (d) all foreseeable and unforeseeable incidental and consequential damages. The Borrower shall defend such claim, and the Trustee and the Beneficiary, as the case may be, shall cooperate in the defense. The Trustee and the Beneficiary may have separate counsel and the Borrower shall pay the fees and expenses of such separate counsel.

ARTICLE IX MISCELLANEOUS

9.1 If in construing this Deed of Trust and the Loan Agreement there exists any conflict with respect to the rights, duties, obligations, privileges, or responsibilities of the Borrower or the security, priority, rights, privileges, duties, or remedies of the Beneficiary, the terms and provisions of the Loan Agreement shall control and be binding on the Borrower, Trustee, and the Beneficiary, and the terms and provisions of this Deed of Trust that are in conflict with the Loan Agreement shall be of no force or effect.

9.2 In the event any item, term, or provision contained in this Deed of Trust is in conflict or may be held hereafter to be in conflict with any applicable laws, this Deed of Trust shall be affected only as to its application to such item, term, or provision and shall in all other respects remain in full force and effect.

9.3 Nothing herein contained shall be construed to operate as to require the Borrower to pay interest on the Note or Notes or any other liability or debt now existing or hereafter to exist at a rate greater than that allowed by the laws of the State of Texas, and if any provisions contained herein do or would operate to make this Deed of Trust or any part hereof void, voidable, or ineffective, then such provisions only shall be held as though they were not herein contained and shall be without effect to the remaining provisions, which shall remain operative. Any of said contracts for interest shall be held subject to reduction to the highest amount allowed under the Usury Laws of the State of Texas as now or hereafter construed by courts having jurisdiction.

9.4 The Borrower covenants that no other security, now existing or hereafter taken, for the Deed of Trust Secured Obligations shall be impaired or affected in any manner by the execution hereof; no security subsequently taken by any holder of the Deed of Trust Secured Obligations shall impair or affect in any manner the security given by this Deed of Trust; all security for the payment of the Deed of Trust Secured Obligations shall be taken, considered, and held as cumulative; and the taking of additional security shall at no time release or impair any security by endorsement or otherwise previously given. The Borrower further agrees that any part of the security herein described may be released without in anywise altering, varying, or diminishing the force, effect, or lien of this Deed of Trust, or of any renewal or extension of said lien, and that this Deed of Trust shall continue as a parity first lien, assignment, and security interest on all the Mortgaged Properties not expressly released until all Deed of Trust Secured Obligations are fully discharged and paid.

9.5 The filing of a suit to foreclose any lien, assignment, or security interest under this Deed of Trust on any matured portions of the Deed of Trust Secured Obligations shall never be considered an election so as to preclude foreclosure under any power of sale herein contained after dismissal of the suit.

9.6 The term "Borrower" as used herein shall include not only the party who is designated as the Borrower and who executes this Deed of Trust but also the respective successors and assigns of such party. Whenever the context requires, the gender of words used

herein shall include the masculine and feminine, and the neuter state, and number of words used herein shall include the singular and the plural.

9.7 All article and section titles or captions contained in this Deed of Trust or in any schedule or exhibit hereto are for convenience only and shall not be deemed a part of this Deed of Trust and shall not affect the meaning or interpretation of this Deed of Trust.

IN WITNESS WHEREOF, the Borrower has executed this Deed of Trust as of the seventh day of September, 2018 A.D.

BORROWER:

RIVER ACRES WATER SUPPLY
CORPORATION

15602 Northwest Blvd, Suite H
Robstown, Texas 78380-5932

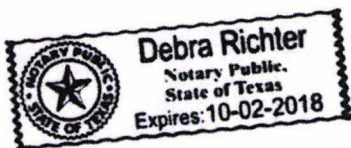
By: 

Name: Kyle Clark

Title: President

THE STATE OF TEXAS §
§
COUNTY OF NUECES §

This instrument was acknowledged before me on the 7th day of September, 2018, by Kyle Clark, President of River Acres Water Supply Corporation, on behalf of said Corporation.




NOTARY PUBLIC - STATE OF TEXAS

ATTACHMENT A

Description of Real Property

ATTACHMENT "A"

Being all of that certain tract or tracts of land lying and situated in Nueces County, Texas described as follows:

Tract 1

Being Lot 1A, Block 2, Riverside Acres Addition to the City of Robstown, Nueces County, Texas, also described as 15302 Northwest Blvd., Robstown, Texas.

Tract 2

Being a tract of land containing 0.6818 acre, more or less, out of a 5.00 acre tract described in Deed from J. H. DeSpain to Annville Baptist Church recorded in Volume 1361, page 879 of the Deed Records of Nueces County, Texas, and being more completely described by metes and bounds as follows, to-wit:

BEGINNING at a 1 inch iron pipe marking the NE corner of said Annville Baptist Church 5.00 acre tract, also being the SW corner of Lot 14, Block 2, Broad Acres Addition, Unit 1, as shown on plat of record in Volume 25, page 19 of the Map Records of Nueces County, Texas, for the NE corner of this tract and the point of beginning;

THENCE S 09° 52' W, along the easterly line of said Annville Baptist Church 5.00 acre tract and along the westerly line of a 6.44 Calallen Independent School District Tract described in Deed recorded in Volume 961, page 513 of the Deed Records of Nueces County, Texas, a distance of 115.00 feet to a point marked by a 5/8 inch iron rod for the SE corner of this tract;

THENCE N 80° 05' 26" W a distance of 255.15 feet to a point marked by a 5/8 inch iron rod set in the westerly line of said Annville Baptist Church 5.00 acre tract, for the SW corner of this tract;

THENCE N 06° 34' E, along the westerly line of said Annville Baptist Church 5.00 acre tract, a distance of 115.00 feet to a point marked by a 5/8 inch iron rod for the NW corner of this tract, also being the NW corner of said Annville Baptist Church 5.00 acre tract;

THENCE S 80° 08' E, along the northerly line of said Annville Baptist Church 5.00 acre tract, a distance of 261.77 feet to the point of beginning and containing 0.6818 acre of land, more or less.

In addition there is also conveyed to grantee herein, its successors and assigns, a 15 foot road easement described as follows:

Being a tract of land containing 0.28 acre out of a 5.00 acre tract described in Deed from J. H. DeSpain to Annville Baptist Church, recorded in Volume 1361, page 879 of the Deed Records of Nueces County, Texas, and being more completely described by metes and bounds as follows, to-wit:

Beginning at a concrete monument marking the SE corner of said Annville Baptist Church 5.00 acre tract;

THENCE N 68° 21' W, along the northerly line of P. M. 624 and along the southerly line of said Annville Baptist Church 5.00 acre tract, a distance

of 15.63 feet to a point marked by a 5/8 inch iron rod for the SW corner of this road easement;

THENCE N 05° 20' E a distance of 479.15 feet to a point marked by a 2" x 2" stake for a corner of this road easement;

THENCE N 09° 52' E a distance of 336.79 feet to a point marked by a 2" x 2" stake for the NW corner of this road easement;

THENCE S 80° 05' 26" E a distance of 15.00 feet to a point marked by a 5/8 inch iron rod for the NE corner of this road easement;

THENCE S 09° 52' W, along the easterly line of said Annaville Baptist Church 5.00 acre tract, a distance of 336.20 feet to a point marked by a concrete monument for a corner of this road easement;

THENCE S 05° 20' W, along the easterly line of said Annaville Baptist Church 5.00 acre tract, a distance of 482.95 feet to the point of beginning and containing 0.28 acre of land, more or less.

ATTACHMENT B

Permitted Exceptions

ATTACHMENT B

Permitted Exceptions

„SUBJECT to Oil, Gas and Mineral Leases as follows:

1. Dated 3-20-29, J. H. DeSpain et ux to W. H. Wallace et al, recorded in Volume 7, page 378;
2. Dated 6-25-47, Mrs. L. S. DeSpain et al to J. R. McFarland, recorded in Volume 86, page 499;
3. Dated 6-26-52, Ethel B. DeSpain et al to Walter R. Taber, recorded in Volume 125, page 563;

All of the foregoing leases having been recorded in the Oil and Gas Records of Nueces County, Texas; and

SUBJECT TO one/half (1/2) minerals reservation in Deed dated 1-3-19, O. B. Carver et ux to J. H. DeSpain recorded in Volume 124, page 555, Deed Records of Nueces County, Texas;

And all oil, gas and minerals reserved in Deed dated 1-5-70, Herbert F. DeSpain et ux et al to Annville Baptist Church, recorded Volume 1361, pg 879, Deed Records of Nueces County, Texas.

EXHIBIT B

PROMISSORY NOTE

FOR VALUE RECEIVED, River Acres Water Supply Corporation (Corporation) promises to pay to the order of Texas Water Development Board (TWDB), at its offices at 1700 N. Congress Avenue, Austin, Texas 78701, or at such other place as the TWDB may hereafter designate in writing, the principal amount of \$3,620,000 plus interest on the unpaid principal balance, in the manner as agreed by the Corporation and the TWDB in that certain loan agreement to which this Promissory Note is attached (Loan Agreement). The said principal and interest shall be paid from the Revenue Fund according to the Repayment Schedule attached hereto (Repayment Schedule).

Repayment of the principal amount and interest from the Corporation is due and payable according to the Repayment Schedule until the principal and interest are fully paid. The consideration hereof shall support any agreement modifying the foregoing Repayment Schedule.

The loan proceeds shall be delivered by the TWDB to the Corporation as provided in the Loan Agreement and interest shall accrue on the amount delivered from the actual date of delivery of the funds as shown on the Repayment Schedule. Interest shall be calculated on a 30 day month/360 day year method. That is, for purposes of determining the per diem rate of interest accrued under the terms of this Note, it is assumed that every year is composed of 360 days; however, interest is calculated on the basis of actual days elapsed.

Every payment made on any indebtedness evidenced by this Note shall be applied to interest and principal as shown on the Repayment Schedule.

For the first ten (10) years after the date of delivery of funds to the Corporation, prepayments of scheduled payments, or any portion thereof, may not be made, except from surplus funds as set forth in Section 7.05 of the Loan Agreement. The Corporation may prepay all or part of the amounts of principal and interest then due on the loan on any regularly scheduled monthly payment date as specified in the Repayment Schedule, beginning no earlier than the first interest payment date that is ten (10) years from the date of the first delivery of funds from the TWDB to the Corporation.

If the TWDB at any time assigns this Note, the Corporation shall continue to make payments to the TWDB as collection agent for the holder of the Note until such time as notice of the assignment is received from the TWDB. Upon said notice of assignment, the Corporation shall thereupon duly note in the Corporation's records the occurrence of such assignment, together with the name and address of the assignee, and the Corporation shall make payments as directed in the notice by the TWDB.

Any amount advanced or expended by the TWDB for the collection hereof or to preserve or protect any security hereto, or otherwise under the terms of any security or other

instruments executed in connection with the Loan evidenced hereby, at the option of the TWDB shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by the Corporation to the TWDB upon demand. The Corporation agrees to use the Loan evidenced hereby solely for the purpose authorized by the TWDB.

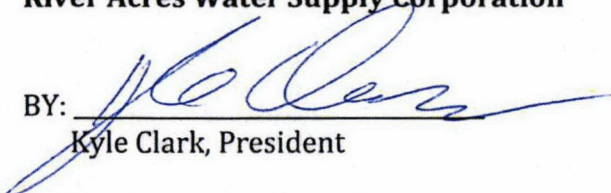
This note is secured by a Deed of Trust and Security Agreement.

Default hereunder and as described in the Loan Agreement shall constitute default under any other instrument evidencing a debt or other obligations of the Corporation to the TWDB or securing such a debt or other obligations and default under any such other instrument shall constitute default hereunder. Upon any such default, the TWDB, at its option, may declare all or any part of any such indebtedness immediately due and payable.

This Note shall be subject to the terms of the Loan Agreement and to the present rules, regulations, and policies of the TWDB and to its future rules, regulations, and policies not inconsistent with the express provisions hereof.

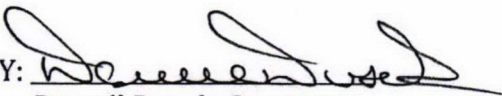
If any provision of this Note or the application thereof to any circumstance shall be held to be invalid, the remainder of this Note and the application thereof to other circumstances shall nevertheless be valid, and the TWDB hereby declares that this Note would have been enacted without such invalid provision.

River Acres Water Supply Corporation

BY: 
Kyle Clark, President

DATE: September 7, 2018

ATTEST:

BY: 
Darrell Dusek, Secretary

LOAN DEBT SERVICE

**River Acres Water Supply Corporation
2018 Texas Water Development Board Loan
FINAL NUMBERS**

**TWDB Rates as of August 10, 2018
(2nd Revised Closing Date)**

**Dated Date 08/15/2018
Delivery Date 09/20/2018**

Period Ending	Principal	Coupon	Interest	Debt Service
12/31/2019	100,000	1.900%	94,890.19	194,890.19
12/31/2020	75,000	2.310%	119,667.50	194,667.50
12/31/2021	80,000	2.490%	117,935.00	197,935.00
12/31/2022	80,000	2.670%	115,943.00	195,943.00
12/31/2023	80,000	2.710%	113,807.00	193,807.00
12/31/2024	85,000	2.820%	111,639.00	196,639.00
12/31/2025	85,000	2.920%	109,242.00	194,242.00
12/31/2026	90,000	3.040%	106,760.00	196,760.00
12/31/2027	90,000	3.220%	104,024.00	194,024.00
12/31/2028	95,000	3.330%	101,126.00	196,126.00
12/31/2029	100,000	3.390%	97,962.50	197,962.50
12/31/2030	100,000	3.400%	94,572.50	194,572.50
12/31/2031	105,000	3.450%	91,172.50	196,172.50
12/31/2032	110,000	3.470%	87,550.00	197,550.00
12/31/2033	110,000	3.470%	83,733.00	193,733.00
12/31/2034	115,000	3.520%	79,916.00	194,916.00
12/31/2035	120,000	3.520%	75,868.00	195,868.00
12/31/2036	125,000	3.530%	71,644.00	196,644.00
12/31/2037	130,000	3.530%	67,231.50	197,231.50
12/31/2038	135,000	3.570%	62,642.50	197,642.50
12/31/2039	135,000	3.570%	57,823.00	192,823.00
12/31/2040	140,000	3.570%	53,003.50	193,003.50
12/31/2041	145,000	3.580%	48,005.50	193,005.50
12/31/2042	150,000	3.580%	42,814.50	192,814.50
12/31/2043	160,000	3.590%	37,444.50	197,444.50
12/31/2044	165,000	3.590%	31,700.50	196,700.50
12/31/2045	170,000	3.600%	25,777.00	195,777.00
12/31/2046	175,000	3.600%	19,657.00	194,657.00
12/31/2047	180,000	3.610%	13,357.00	193,357.00
12/31/2048	190,000	3.610%	6,859.00	196,859.00
	3,620,000		2,243,767.69	5,863,767.69

EXHIBIT C
TWDB Resolution No. 18-034

**A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO
RIVER ACRES WATER SUPPLY CORPORATION
IN THE FORM OF A MULTI-YEAR COMMITMENT
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
PROMISSORY NOTES IN THE AGGREGATE AMOUNT OF \$7,155,000 AND EXECUTION OF LOAN
AGREEMENTS IN 2018, 2019 AND 2020, WITH
\$623,400 IN PRINCIPAL FORGIVENESS**

(18-034)

WHEREAS, the River Acres Water Supply Corporation (Corporation), located in Nueces County, has filed an application for financial assistance in the amount of \$7,778,400 from the Drinking Water State Revolving Fund (DWSRF) to finance the construction of certain water system improvements identified as Project No. 62773; and

WHEREAS, the Corporation seeks financial assistance from the Texas Water Development Board (TWDB) in the form of a multi-year commitment through the TWDB's proposed purchase of Promissory Notes in the aggregate amount of \$7,155,000 and execution of Loan Agreements in 2018, 2019, and 2020, and \$623,400 in 2018 in principal forgiveness, all as is more specifically set forth in the application and in recommendations of the TWDB's staff; and

WHEREAS, the Corporation has offered a pledge of the net revenues of the Corporation's system as sufficient security for the repayment of the Obligations; and

WHEREAS, the TWDB hereby finds:

- 1. that the revenue and/or taxes pledged by the Corporation will be sufficient to meet all the Obligations assumed by the Corporation, in accordance with Texas Water Code § 15.607;**
- 2. that the application and assistance applied for meet the requirements of the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.*, as well as state law, in accordance with Texas Water Code § 15.607;**
- 3. that the Corporation has adopted and implemented a water conservation program for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules;**
- 4. that the TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the project will be addressed in a manner that is consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j); and**

5. that a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the Corporation and filed with the TWDB in accordance with Texas Water Code § 16.053(j).

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

A commitment is made by the TWDB to the River Acres Water Supply Corporation for financial assistance in the total amount of \$7,778,400 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of Promissory Notes and execution of Loan Agreements in the amounts as follows:

- a) a \$3,620,000 Promissory Note to expire on September 30, 2018;
- b) a \$1,750,000 Promissory Note to expire on March 31, 2020;
- c) a \$1,785,000 Promissory Note to expire on March 31, 2021; and

the execution of a Principal Forgiveness Agreement in the amount of \$623,400. This commitment will expire on March 31, 2019.

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. prior to closing, the Corporation must submit to the Executive Administrator an attorney's opinion confirming the legal authority for the Corporation to incur the Obligations that is acceptable to the Executive Administrator;
3. this commitment is contingent upon the Corporation's compliance with all applicable requirements contained in 31 TAC Chapter 371;
4. the Obligations must provide that the Corporation may prepay all or part of the amounts of principal and interest then due on the loan on any regularly scheduled payment date as specified in the Repayment Schedule, as revised, beginning no earlier than the first interest payment date that is 10 years from the date of the first delivery of funds from the TWDB to the Corporation pursuant to this Agreement;
5. the Corporation, 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 Corporation'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 Corporation's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the Corporation is an obligated person with respect to such bonds under SEC Rule 15c2-12;

6. the Obligations must contain a provision requiring the Corporation 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;
7. the Obligations must include a provision requiring the Corporation to use any loan proceeds from the Obligations that are determined to be remaining unused funds, which are those funds unspent after the original approved project is completed, for enhancements to the original project that are explicitly approved by the Executive Administrator or if no enhancements are authorized by the Executive Administrator, requiring the Corporation to submit a final accounting and disposition of any unused funds;
8. the Obligations must include a provision requiring the Corporation to use any loan proceeds from the Obligations that are determined to be surplus funds remaining after completion of the project and completion of a final accounting for the following purposes as approved by the Executive Administrator: (1) to redeem, in inverse annual order, the Obligations owned by the TWDB; (2) 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 (3) deposit into a reserve fund;
9. 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;
10. 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;
11. loan proceeds shall not be used by the Corporation 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 Corporation 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 and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the Corporation, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;
12. prior to closing, the Corporation shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or, if applicable, the levy of an