

**GULF COAST WATER AUTHORITY
WATER SYSTEM CONTRACT REVENUE BONDS
(CITY OF LEAGUE CITY PROJECT)**

CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** dated [____], 2022 (as amended, modified or supplemented from time to time, this “**Continuing Disclosure Agreement**”) is entered into by and between the City of League City, Texas, a home rule municipality of the State of Texas (the “**City**”) and the Gulf Coast Water Authority, a conservation and reclamation district of the State of Texas (the “**Authority**”) for the benefit of the holders or beneficial owners from time to time of the bonds secured by payments from the City under the League City Contract (as defined herein).

BACKGROUND

The Authority is in process of issuing its Water System Contract Revenue Bonds (City of League City Project), Series 2022 (the “**Series 2022 Bonds**”), the proceeds of which will be used to fund a portion of the cost of a larger diameter water transmission line (the “**Southeast Transmission Line**”) in order to help ensure sufficient transmission capacity to supply the City’s future water needs from the City of Houston’s Southeast Water Purification Plant (the “**Plant**”) as it may be expanded from time to time.

The Series 2022 Bonds shall be issued pursuant to the terms and conditions of the Fourth Amended and Restated Water Supply Contract between the Authority and the City, as amended or supplemented from time to time (the “**League City Contract**”). Pursuant to Sections 2.03(2)(c) and Section 4.01 of the League City Contract, the City hereby requests and authorizes the issuance of the Series 2022 Bonds in an amount not to exceed \$6,000,000.

The Authority is authorized to issue additional bonds (“**Additional Bonds**”) and refunding bonds (“**Refunding Bonds**”) by the resolution authorizing the issuance of the Series 2022 Bonds (the “**Series 2022 Bond Resolution**”) and the League City Contract.

In connection with the sale of the Series 2022 Bonds and any Additional Bonds or Refunding Bonds (collectively, the “**Bonds**”), the City is an obligated person with respect to the Bonds and must undertake to disclose certain information for as long as the Bonds are outstanding, in compliance with 17 C.F.R. 240.15c2-12 (the “**Rule**”) promulgated by the Securities and Exchange Commission.

The Authority and the City must comply with the antifraud provisions of the Securities Act of 1933, the Securities Exchange Act of 1934, and 17 C.F.R. 240.10b-5 (collectively, the “**Acts**”) in connection with the sale of the Bonds and accordingly may not make any material misstatement or materially misleading statement or omit to state certain material facts in connection therewith.

The City is providing all information pertinent to itself which will be included in the preliminary official statement and final official statement for the Bonds that is required to present fairly all material investment risks.

In order to assist the Authority and the underwriters of the Bonds in complying with the Rule and the Acts, the City agrees to provide such information to the Authority pursuant to the terms set forth below.

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and agreements in this Continuing Disclosure Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the City and the Authority agree as follows:

Section 1. Definitions. Any capitalized term used in this Continuing Disclosure Agreement shall have the meaning ascribed thereto in the in the Recitals above, and if not defined in the recitals above they shall have the meanings specified below:

“EMMA System” means the Electronic Municipal Market Access System at www.emma.msrb.org or any successor system that the MSRB may prescribe.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“MSRB” means the Municipal Securities Rulemaking Board.

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

Section 2. Provision of Annual Financial Information and Operating Data.

(a) The City shall provide annually to the MSRB (with a copy to the Authority), (i) within six (6) months after the end of each fiscal year of the City ending in or after 2022, financial information and operating data with respect to the City of the general type included in the Official Statement, being the information described in the resolution approving a series of Bonds and the related pricing certificate, and including financial statements of the City if audited financial statements of the City are then available, and (ii) if not provided as part of such financial information and operating data, audited financial statements of the City, when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in the rules to the financial statements for the most recently concluded fiscal year, or such other accounting principles as the City may be required to employ, from time to time, by State law or regulation, and (ii) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such financial statements becomes available.

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

(c) The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document, including an official statement or other offering document, if it is available to the public on the MSRB's internet website or has been filed with the SEC. The financial information or operating data shall be provided in an electronic format as prescribed by the MSRB and shall be linked to the CUSIP numbers for the Bonds.

Section 3. Reporting of Listed Events.

(a) The City agrees to provide or cause to be provided, in a timely manner (but not in excess of ten (10) business days after the occurrence of the event) to the MSRB (with a copy to the Authority) notice of the occurrence of any of the following events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves;
- (iv) Unscheduled draws on credit enhancements;
- (v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds;

- (vii) Modifications to rights of bondholders;
- (viii) Bond calls and tender offers;
- (ix) Defeasances;
- (x) Release, substitution or sale of property securing repayment of the Bonds;
- (xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the City. For purposes of this clause (xii), any such event shall be considered to have occurred when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or the entry of an order

confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City;

(xiii) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(xiv) Appointment of a successor or additional trustee or the change of the name of a Trustee;

(xv) Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City; and

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City.

(b) The City shall provide to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner, notice of a failure by the City to provide required annual financial information in accordance with Section 2 of this Agreement.

(c) Each filing made under this section shall be disseminated by transmission to MSRB through the EMMA System. Such filings will be in the format and will be accompanied by the identifying information prescribed by the MSRB.

(d) Each Listed Event notice shall be so captioned and shall prominently state the date, and title of the Bonds and shall be linked to all of the CUSIP numbers of the Bonds.

(e) The City may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, but the City does not undertake any commitment to provide such notice of any event except those events listed above.

Section 4. Official Statements. The City agrees to provide the Authority with such financial and operating data for use in the preliminary official statements and official statements relating to the Bonds as may be required to allow the Authority and the underwriters of the Bonds to comply with the Acts and the Rule. The Authority is authorized to use the information provided by the City in preliminary official statements and final official statements relating to the Bonds.

Section 5. Accuracy and Completeness. The City warrants that all information provided by it to the Authority or the MSRB pursuant to this Continuing Disclosure Agreement will be accurate in all material respects to the best of its knowledge and belief. The City will provide the Authority with such information as the Authority may reasonably request to confirm the accuracy and completeness of any information provided by the City pursuant to this Agreement. Information shall be audited if prepared in such form, or may be unaudited if audited information is not available.

Section 6. Termination of Reporting Obligation. This Agreement shall automatically terminate without further notice or condition upon the occurrence of any of the following events:

- (a) The legal defeasance, prior redemption or payment in full of all of the Bonds; or
- (b) The City no longer meets the criteria of an obligated person as defined in the Rule, unless the requirements of disclosure have changed through amendment or interpretation of the Acts of the Rule.

Section 7. Severability. The provisions of this Continuing Disclosure Agreement are severable, and if any provision or part of this Continuing Disclosure Agreement or the application thereof to any person or circumstance shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Continuing Disclosure Agreement and the application of such provision or part of this Continuing Disclosure Agreement to other persons or circumstances shall not be affected thereby.

Section 8. Assignment. This Continuing Disclosure Agreement shall not be assignable by the City without the prior written consent of the Board of Directors of the Authority, which consent shall not be unreasonably withheld.

Section 9. Limitations, Disclaimers, and Amendments.

(a) The provisions of this Continuing Disclosure Agreement are for the sole benefit of the Authority, the City and the owners and beneficial owners of the Bonds, and nothing in this Continuing Disclosure Agreement, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Continuing Disclosure Agreement and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the City's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Continuing Disclosure Agreement or otherwise, except as expressly provided herein. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

(b) UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITH OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS CONTINUING DISCLOSURE AGREEMENT, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

(c) No default by the City in observing or performing its obligations under this Continuing Disclosure Agreement shall comprise a breach of or default under the resolution authorizing the issuance of the Bonds for purposes of any other provisions of the resolution authorizing the issuance of the Bonds.

(d) Nothing in this Continuing Disclosure Agreement is intended or shall act to disclaim, waive, or otherwise limit the duties of the City or the Authority under federal and state securities laws.

(e) The provisions of this Continuing Disclosure Agreement may be amended by the City and the Authority from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City or the Authority, but only if (1) the provisions of this Continuing Disclosure Agreement, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (A) the owners of a majority in aggregate principal amount of the outstanding Bonds consent to such amendment or (B) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the owners and beneficial owners of the Bonds. The City and the Authority may also repeal or amend the provisions of this Continuing Disclosure Agreement if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the City and the Authority also may amend the provisions of this Continuing Disclosure Agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the City and the Authority so amend the provisions of this Continuing Disclosure Agreement, the City shall include with any amended financial information or operating data next provided in accordance with this Article an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

Section 10. Notices. All notices or other communications shall be sufficiently given and shall be deemed given on the second day following the date on which the same have been personally delivered or mailed by certified mail, return receipt requested, postage prepaid, to the following addresses or, if sent by electronic communication, with receipt confirmed. The City and the Authority may, by written notice to the other persons listed below, designate a different address or email address to which subsequent notices or communications should be sent.

All notices to the Authority shall be delivered to the following address and contact person:

Gulf Coast Water Authority
3630 Highway 1765
Texas City, Texas 77591
Attention: General Manager
Email: bwade@gcwater.org

DRAFT

With a copy to:

Gulf Coast Water Authority
3630 Highway 1765
Texas City, Texas 77591
Attention: Finance Director
Email: ddavis@gcwater.org

All notices to the City shall be delivered to the following address and contact person:

City of League City
300 West Walker
League City, Texas 77573
Attention: City Manager
Email: john.baumgartner@leaguecitytx.gov

Section 11. Remedies. In the event the City fails or refuses to provide the information required by Sections 2 or 3 hereof, the Authority shall have all remedies provided by law or in equity to enforce the terms and conditions of this Agreement.

Section 12. No Personal Liability. No covenant, stipulation, obligation or agreement of the City or the Authority contained in this Continuing Disclosure Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future council member, board member, officer, agent or employee of the City or the Authority other than in that person's official capacity.

Section 13. Severability. If any provision in this Continuing Disclosure Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 14. Counterparts; Electronic Signatures. This Continuing Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. To the fullest extent permitted by applicable law, electronically transmitted or facsimile signatures shall constitute original signatures for all purposes under this Continuing Disclosure Agreement.

Section 15. Governing Law. This Continuing Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of Texas.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, this Continuing Disclosure Agreement has been executed by the City's duly authorized representative as of the date set forth above.

GULF COAST WATER AUTHORITY

By: _____
Name: Brandon Wade
Title: Authorized Officer

CITY OF LEAGUE CITY, TEXAS

By: _____
Name: John Baumgartner
Title: City Manager

Attest:

By: _____
Name: Diana Stapp
Title: City Secretary

Signature Page to Continuing Disclosure Agreement