

THIRD AMENDED AND RESTATED WATER SUPPLY CONTRACT

BETWEEN

CITY OF LEAGUE CITY, TEXAS

AND

GULF COAST WATER AUTHORITY

Dated: _____, 2019

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**THIRD AMENDED AND RESTATED WATER SUPPLY CONTRACT
BETWEEN
CITY OF LEAGUE CITY, TEXAS
AND
GULF COAST WATER AUTHORITY**

This THIRD AMENDED AND RESTATED WATER SUPPLY CONTRACT (this "Agreement"), is entered into as of the ____ day of _____, 2019, by and between the CITY OF LEAGUE CITY, TEXAS (the "City"), a municipal corporation and home rule municipality of the State of Texas, and the GULF COAST WATER AUTHORITY ("Authority"), a Texas conservation and reclamation district.

RECITALS

WHEREAS, the City owns and operates a waterworks system supplying water to inhabitants of the City and adjacent areas and previously obtained its entire water supply from wells situated on the mainland of Galveston County. Due to the increase in the City's population and in its water usage, the deterioration of the quality of water from its wells and for other reasons, such water supply proved inadequate to supply the needs of the City and its inhabitants and it became necessary to develop an additional supply of potable water to permit the City to serve its customers and continue its growth; and

WHEREAS, the Authority was created under and pursuant to the provisions of Section 59 of Article XVI of the Constitution of State of Texas (the "State") as a conservation and reclamation district, a governmental agency and body politic and corporate, and the Authority has the responsibility and authority to develop water supplies for agricultural, municipal, industrial and other uses in the Gulf Coast area, including Galveston County, Texas; and

WHEREAS, the Authority and the City previously entered into a Water Supply Contract, dated as of January 15, 1971 (the "1971 Contract"), under the terms of which the Authority issued bonds and constructed certain facilities (the "1971 Project") to convey water purchased by the Authority from the City of Houston, Texas ("Houston"), for resale through such facilities to the City and the City of Galveston, Texas ("Galveston"); and

WHEREAS, execution of the 1971 Contract was specifically authorized by a majority vote of the qualified electors of said City voting at an election called for such purpose on June 3, 1969, as authorized by Article 1109e, TEX. REV. CIV. STAT (now, TEX. LOCAL GOV'T CODE, Ch. 552); and

WHEREAS, thereafter, the Authority and the City entered into an Amendment to the Water Supply Contract, dated as of April 10, 1987 (the "1987 Amendment"), whereby the City and the Authority agreed to amend the 1971 Contract to provide for the acquisition by the Authority for the benefit of the City and Galveston of an ownership interest in the City of Houston's Southeast Water Purification Plant (the "Plant"). Pursuant to the 1987 Amendment, the Authority issued bonds to finance the acquisition of an interest in the Plant described therein and assigned its pro rata share of the capacity in the Plant to each of the City and Galveston and entered into a Cost

Sharing Water Project Contract, dated as of April 30, 1987 between the Authority and Houston (the "Original Cost Sharing Agreement"); and

WHEREAS, in 1998 the Authority and Galveston entered into Water Capacity Purchase and Sale Agreements with the City and other political subdivisions in the same area to sell Galveston's interest in the Plant, thereby allowing for the financing of improvements to the Authority's Thomas S. Mackey Water Treatment Plant (the "Mackey Plant") to accommodate the growing potable water needs of Galveston. Upon completion of improvements to the Mackey Plant, Galveston began receiving all of its potable water needs from the Mackey Plant and no longer received water from the Plant; and

WHEREAS, in connection with the sale of Galveston's interest in the Plant to the City as described above, the Authority and the City entered into that certain Second Amendment to Water Supply Contract, dated as of August 20, 1998 (the "1998 Amendment") whereby the Authority and the City agreed to further amend the 1971 Contract to provide for the conveyance of a portion of Galveston's interest in the Plant to the City; and

WHEREAS, the City and the Authority entered into an Amended and Restated Water Supply Contract between Gulf Coast Water Authority and the City of League City, Texas, dated as of July 7, 1999 (the "First Amended and Restated Water Supply Contract"), which amended and restated the 1971 Contract, as amended, with the City to (i) recognize the changed circumstances described above, particularly the separation of the obligations of Galveston and the City with respect to the Plant, (ii) acknowledge the current refunding of certain bonds, (iii) clarify the obligations of the City to make certain bond-related payments under the First Amended and Restated Water Supply Contract to the Authority, and recognize that the construction projects contemplated by the 1971 Contract, as amended, had been completed, and eliminate outmoded or unnecessary provisions of such contract; and

WHEREAS, the City and the Authority amended and restated the First Amended and Restated Water Supply Contract through the execution of a Second Amended and Restated Water Supply Contract between the Authority and the City, dated September 15, 2001 (the "Second Amended and Restated Water Supply Agreement") in order to provide for the payment by the City of the debt service on a series of bonds issued pursuant to a resolution authorizing the issuance of the Gulf Coast Water Authority Water System Contract Revenue Bonds (City of League City Contract) Series 2001 (the "Series 2001 Bonds") and constructed certain facilities to convey water purchased from Houston for resale to the City and to provide for the acquisition by the Authority for the benefit of the City of an additional ownership interest in the Plant; and

WHEREAS, in connection with the expansion of the Plant and in order to acquire additional capacity therein, the Authority, Houston and certain other participants amended and restated the Original Cost Sharing Agreement by entering into the Cost Sharing Agreement Southeast Water Purification Plant (Restated and Amended) (the "2001 Plant Cost Sharing Agreement"), which became effective on May 6, 2001; and

WHEREAS, under the 2001 Plant Cost Sharing Agreement, the Authority owned, on behalf of the City and heretofore conveyed and confirmed a beneficial interest in 16.5000 million gallons of water per day ("MGD") or 13.75% of the Demand Allocation (as defined in the 2001

Plant Cost Sharing Agreement); 16.5000 MGD or 8.250% of the Pumping Allocation (as defined in the 2001 Plant Cost Sharing Agreement) and 16.5000 MGD or 6.600% of the Distribution Allocation (as defined in the 2001 Plant Cost Sharing Agreement) of the Plant; and

WHEREAS, Houston subsequently expanded the capacity of the Plant and in order to acquire additional capacity therein, and Houston and the Authority amended and restated the 2001 Plant Cost Sharing Agreement by entering into an Amendment to Cost Sharing Agreement Southeast Water Purification Plant (Restated and Amended) with Houston and certain other parties (the "2007 Amendment") to purchase additional capacity in the 200 MGD Project (as defined in the 2007 Amendment) on behalf of the City and to provide for the payment of Recoupment Costs (as defined in the 2007 Amendment) with respect to existing capacity in the Plant (as defined in the 2007 Amendment) on behalf of the City and the City of Pearland; and

WHEREAS, the City and the Authority entered into that certain First Supplement to Second Amended and Restated Water Supply Agreement between the Authority and the City, dated June 29, 2007 (the "First Supplement"), providing for the supply of water to the City by the Authority from the 2007 League City Project (as defined herein), which is the portion of the 200 MGD Project benefitting the City, and for the payment of the costs related thereto by the City to the Authority; and

WHEREAS, the City and the Authority also entered into that certain First Amendment to Second Amended and Restated Water Supply Contract between the Authority and the City, dated June 29, 2007 (the "First Amendment"), authorizing the Authority to (i) execute the 2007 Amendment, (ii) make certain amendments to the Second Amended and Restated Water Supply Agreement in order to update certain definitions necessitated by the 2007 Amendment, and (iii) authorize the Authority to take delivery of water at any delivery point established pursuant to the Plant Cost Sharing Agreement (as defined herein); and

WHEREAS, the City and the Authority subsequently entered into that certain Second Supplement to Amended and Restated Water Supply Contract between the Authority and the City, dated September 17, 2015 (the "Second Supplement"), to address certain costs incurred by the Authority under a Replacement Water Line Capacity and Cost Sharing Agreement entered into between the Authority and Houston, and certain other participants (the "Galveston Line Replacement Contract") for the design of a network of new water mains connecting the 200 MGD Project to various customer take points; and

WHEREAS, the activities outlined under the Galveston Line Replacement Contract and the Second Supplement have been completed, and Houston, the Authority and other entities that receive treated water from the Plant are in the process of designing and constructing a new larger-diameter water transmission line (the "Southeast Transmission Line") from the Plant to the parties' water transmission and distribution systems, including the City's water transmission and distribution system; and

WHEREAS, the City desires for the Authority to secure additional transmission capacity through the development of the Southeast Transmission Line in order to have sufficient transmission capacity to supply the City's future water needs from the Plant as it may be expanded from time to time; and

WHEREAS, in connection with the design and construction of the Southeast Transmission Line, Houston has requested the Authority enter into an Amended and Restated Cost Sharing Agreement for the Southeast Transmission Line with Houston and certain other parties, a copy of which is attached hereto as Exhibit B, as may be amended or supplemented from time to time (the "SETL Cost Sharing Agreement"), and the City desires for the Authority to issue contract revenue bonds the proceeds of which shall be used by the Authority to acquire for the benefit of the City capacity in the Southeast Transmission Line; and

WHEREAS, the City desires for the Authority to acquire capacity in the Southeast Transmission Line and to provide for the design, construction, equipment, acquisition, operation and maintenance of the Southeast Transmission Line (the "SETL Project"); and

WHEREAS, in connection with the SETL Project, the City requested that the Authority obtain an additional 20 MGD of untreated surface water capacity from Houston for the benefit of the City; and

WHEREAS, the Authority has entered into, or agrees to enter into, an Untreated Water Reservation Contract Between Houston and the Authority, effective as of September 1, 2019 (the "Capacity Reservation Contract") in order to obtain such capacity from Houston for the benefit of the City; and

WHEREAS, the Authority and the City wish to provide for the payment of amounts due under the Capacity Reservation Contract, the payment of which shall be the obligation of the City, and to provide for the administration of all of the capacity obtained from Houston for the benefit of the City; and

WHEREAS, the City recognizes that the Authority has no power to levy ad valorem taxes and that the Authority's sole source of revenues to pay principal and debt service on its contract revenue bonds, to provide reserves, to acquire for the benefit of the City capacity in the Project (as defined herein), and to maintain, operate and keep in good repair the Project, and to pay amounts due under the Plant Cost Sharing Agreement, SETL Cost Sharing Agreement and the Capacity Reservation Contract is the revenues to be derived under this Agreement; and

WHEREAS, the Authority proposes to issue its contract revenue bonds to finance the Project (as defined herein), including the SETL Project, and to pledge to the payment of such bonds the revenues to be received from the City under this Agreement, including the City's covenant to charge its customers rates sufficient to repay such bonds and to pledge such revenues to payment of such bonds; and

WHEREAS, this Agreement was approved by a majority vote of the governing body of the City at a meeting duly called and held;

NOW, THEREFORE, in consideration of the premises, and for good and valuable consideration, the City and the Authority agree as follows:

AGREEMENT

ARTICLE I

DEFINITIONS

Section 1.01 Definitions.

(a) Unless otherwise expressly provided in this Agreement or unless the context clearly requires otherwise, the following terms shall have the meanings specified below:

(1) "1971 Project" means the system of pipelines and related facilities, built in three phases, to deliver water to the City and to Galveston.

(2) "1987 Project" means the acquisition by the Authority for the benefit of the City of Galveston and the City of 21.00 MGD production capacity, and 24.40 MGD pumping capacity, in the Plant.

(3) "2001 Plant Cost Sharing Agreement" means that certain Cost Sharing Agreement Southeast Water Purification Plant (Restated and Amended), effective May 6, 2001, between Houston and the Plant Cost Sharing Participants.

(4) "2001 Project" means the acquisition by the Authority for the benefit of the City of an additional 5.5000 MGD production capacity, 5.0860 MGD pumping capacity and 2.2325 MGD distribution capacity in the Plant financed with the proceeds of the Series 2001 Bonds and subsequently refinanced with the Series 2011 Bonds, as more fully described as the "Modification Project" in the 2001 Plant Cost Sharing Agreement.

(5) "2007 Amendment" means the Amendment to Cost Sharing Agreement (Restated and Amended), which was executed by Houston on September 27, 2007, among Houston, the Authority, the Clear Lake City Water Authority, the City of Nassau Bay, the Clear Brook City Municipal Utility District, the La Porte Area Water Authority, Harris County Municipal Utility District No. 55, the City of Pasadena, the City of South Houston, the City of Webster, the City of Friendswood, and Baybrook Municipal Utility District No. 1.

(6) "200 MGD Project" shall have the meaning given to it in the 2007 Amendment.

(7) "2007 League City Project" means the acquisition by the Authority for the benefit of the City of an additional 5.00 MGD Demand Allocation of the 200.00 MGD production capacity or an additional 2.50% Demand Allocation factor, an additional 5.00 MGD pumping allocation of the 255.00 MGD pumping capacity or an additional 1.9608% pumping allocation factor in the Plant, an additional 5.00 MGD Distribution Allocation of the 250.00 MGD Distribution Allocation capacity or an additional 2.00% Distribution Allocation factor in the 96-inch pipeline from points B to C, a 5.00 MGD Distribution Allocation of the 250.00 MGD distribution capacity or a 2.00% distribution allocation factor in the 96-inch pipeline from points C to D, a 5.00 MGD distribution of the 32.00

MGD distribution capacity or a 15.625% distribution allocation factor in the existing Beamer pipeline and a 5.00 MGD Distribution Allocation of the 32.00 MGD distribution capacity or a 15.625% Distribution Allocation factor in the new Beamer pipeline as more fully described as the "200 MGD Project" in the 2007 Amendment.

(8) "Account" shall have the meaning ascribed thereto in the SETL Cost Sharing Agreement.

(9) "Additional Funds" shall have the meaning ascribed thereto in the SETL Cost Sharing Agreement.

(10) "Agreement" means this Third Amended and Restated Water Supply Contract, as may be amended or supplemented from time to time.

(11) "Authority" shall mean Gulf Coast Water Authority and its successors and assigns.

(12) "Authority Administrative Expenses Charges" shall have the meaning ascribed in Section 5.02(b)(6).

(13) "Authority Administrative Expenses Charges Payments" shall have the meaning ascribed in Section 5.03(b)(5).

(14) "Bonds" shall mean the Series 2011 Bonds, the bonds initially issued to finance the Project and any additional bonds or refunding bonds issued for a Project and secured by payments under this Agreement and the related Bond Resolutions.

(15) "Bond Resolutions" means collectively the bond resolutions adopted by the Authority in connection with the issuance of Bonds secured by payments under this Agreement, and any subsequent bond resolution adopted in connection with bonds issued to refund or refinance any of such bonds.

(16) "Capacity Reservation Contract" means that certain Untreated Water Reservation Contract Between Houston and the Authority, effective as of ____, 2019, as may be amended or supplemented from time to time. The version of the Capacity Reservation Contract in effect as of the date of this Agreement is attached hereto as Exhibit C. The terms and provisions of the Capacity Reservation Contract are hereby incorporated into this Agreement by reference.

(17) "Cash Call" shall have the meaning ascribed thereto in the SETL Cost Sharing Agreement.

(18) "Cash Call Due Date" shall have the meaning ascribed thereto in the SETL Cost Sharing Agreement.

(19) "Cash Call Schedule" shall have the meaning ascribed thereto in the SETL Cost Sharing Agreement.

- (20) "City" means the City of League City, Texas.
- (21) "City Capacity Reservation Contract Charges" shall have the meaning ascribed thereto in Section 5.02(b)(7) of this Agreement.
- (22) "City Capacity Reservation Contract Charges Payments" shall have the meaning ascribed thereto in Section 5.03(b)(6) of this Agreement.
- (23) "City Plant Cost Sharing Agreement Charges" shall have the meaning ascribed in Section 5.02(b)(3) of this Agreement.
- (24) "City Plant Cost Sharing Agreement Charges Payments" shall have the meaning ascribed in Section 5.03(b)(2) of this Agreement.
- (25) "City SETL Cost Sharing Agreement Charges" shall have the meaning ascribed in Section 5.02(b)(4) of this Agreement.
- (26) "City SETL Cost Sharing Agreement Charges Payments" shall have the meaning ascribed in Section 5.03(b)(2) of this Agreement.
- (27) "City SETL Operating Charges" shall have the meaning ascribed in Section 5.02(b)(5) of this Agreement.
- (28) "City SETL Operating Charges Payments" shall have the meaning ascribed in Section 5.03(b)(4) of this Agreement.
- (29) "Code" shall mean the Internal Revenue Code of 1986, as amended, and, with respect to a specific section thereof, such reference shall be deemed to include (a) the Regulations promulgated under such section, (b) any successor provision of similar import hereafter enacted, (c) any corresponding provision of any subsequent Internal Revenue Code and (d) the regulations promulgated under the provisions described in (b) and (c).
- (30) "Contract Quantity" shall have the meaning ascribed thereto in Capacity Reservation Contract.
- (31) "Cost Share" shall have the meaning ascribed thereto in the SETL Cost Sharing Agreement.
- (32) "Deeded Property" means the property deeded by the Authority to the City under the Special Warranty Deed attached hereto as Exhibit D. "Deeded Property" shall include the property referred to as Authority Property within the Special Warranty Deed, which the Authority plans to transfer to the City by separate instrument.
- (33) "Fixed Charges" shall have the meaning ascribed in Section 5.02(a) of this Agreement.
- (34) "Fixed Charges Payments" shall have the meaning ascribed in Section 5.03(a) of this Agreement.

(35) "Force Majeure" shall have the meaning ascribed thereto in Section 6.04 of this Agreement.

(36) "Houston" means the City of Houston, Texas.

(37) "Mackey Plant" means the Authority's Thomas S. Mackey Water Treatment Plant located in Texas City, Texas.

(38) "Managing Participant" means Houston as the operator and co-owner of the Plant.

(39) "MGD" means million gallons of water per day.

(40) "Modification Project" shall have the meaning given to it in the Plant Cost Sharing Agreement.

(41) "Non-Project Items" shall have the meaning ascribed thereto in the SETL Cost Sharing Agreement.

(42) "Notice of Upcoming Cash Call" shall have the meaning ascribed thereto in the SETL Cost Sharing Agreement.

(43) "Operating Charges" are described in Section 5.02(b) of this Agreement.

(44) "Phase I" shall have the meaning ascribed thereto in the SETL Cost Sharing Agreement.

(45) "Plant" means the Southeast Water Purification Plant located south of Genoa Red Bluff Road north of Ellington Field, Harris County, Texas and all associated facilities, which facilities are further defined in the Plant Cost Sharing Agreement.

(46) "Plant Cost Sharing Agreement" means the 2001 Plant Cost Sharing Agreement, as amended by the 2007 Amendment, and as amended or supplemented from time to time in the future. The terms and provisions of the Plant Cost Sharing Agreement are hereby incorporated into this Agreement by reference. The Plant Cost Sharing Agreement as currently amended, is included herein as Exhibit A of this Agreement.

(47) "Plant Cost Sharing Participants" shall mean the Authority, the Clear Lake City Water Authority, the City of Nassau Bay, the Clear Brook City Municipal Utility District, the La Porte Area Water Authority, Harris County Municipal Utility District No. 55, the City of Pasadena, the City of South Houston, the City of Webster, the City of Friendswood and Baybrook Municipal Utility District No. 1 and such additional entities who may be added as "Participants" under the Plant Cost Sharing Agreement from time to time.

(48) "Plant Expansion" shall have the meaning ascribed thereto in the Capacity Reservation Contract.

(49) "Point(s) of Delivery" means the point(s) at which treated surface water is supplied to the City after the flow meter at the location(s) of the flow control devices. The City's Point(s) of Delivery are shown in the Exhibit(s) to the SETL Cost Sharing Agreement.

(50) "Project Director" shall have the meaning ascribed thereto in the SETL Cost Sharing Agreement.

(51) "Project Schedule" shall have the meaning ascribed thereto in the SETL Cost Sharing Agreement.

(52) "Projects" means the 1971 Project, 1987 Project, 2001 Project, the 2007 League City Project, the SETL Project and any future project added as a project under this Agreement or financed with a series of Bonds.

(53) "Regulations" shall mean the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

(54) "Reservation Fee" shall have the meaning ascribed thereto in the Capacity Reservation Contract.

(55) "Reserved Capacity" shall have the meaning ascribed thereto in the SETL Cost Sharing Agreement.

(56) "Second Amended and Restated Water Supply Contract" means the Second Amended and Restated Water Supply Contract, dated as of September 15, 2001, between the Authority and the City as amended by the First Amendment to Second Amended and Restated Water Supply Contract, dated as of June 29, 2007, and as supplemented by the First Supplement to Second Amended and Restated Water Supply Contract, dated as of June 29, 2007, and as supplemented by the Second Supplement to Second Amended and Restated Water Supply Agreement, dated as of September 7, 2015.

(57) "Series 2001 Bonds" means the Authority's Water System Contract Revenue Bonds (City of League City Contract) Series 2001, issued by the Authority to finance the 2001 Project.

(58) "Series 2011 Bonds" means the Authority's Water System Contract Revenue Bonds (City of League City Contract), Series 2011F, which were issued to refund the Series 2001 Bonds.

(59) "SETL Budget" shall have the meaning ascribed to the term "Budget" in the SETL Cost Sharing Agreement.

(60) "SETL Cost Sharing Agreement" means the Amended and Restated Cost Sharing Agreement for the Southeast Transmission Line Project with Houston and certain other parties, a copy of which is attached hereto as Exhibit B, as may be amended or

supplemented from time to time. The terms and provisions of the SETL Cost Sharing Agreement are hereby incorporated into this Agreement by reference.

(61) "SETL Participant(s)" shall mean, individually or collectively, Baybrook Municipal Utility District No. 1, the City of Friendswood, Texas, the City of Houston, Texas, the City of Pasadena, Texas, the City of Webster, Texas, Clear Lake City Water Authority, Gulf Coast Water Authority, and Harris County Municipal Utility District No. 55, and such additional entities who may be added as "Participants" under the SETL Cost Sharing Agreement from time to time.

(62) "SETL Project" means the design, construction, equipment, acquisition, operation and maintenance of the Southeast Transmission Line.

(63) "SETL Project Costs" shall have the meaning ascribed to the term "Project Costs" in the SETL Cost Sharing Agreement.

(64) "Southeast Transmission Line" means a new larger-diameter water transmission line extending from the Plant to the parties' water transmission and distribution systems as further described in Section 1.2 of the SETL Cost Sharing Agreement.

(65) "Special Warranty Deed" means that Special Warranty Deed and Bill of Sale whereby the Authority conveyed to the City a portion of the 1971 Project, a copy of which is attached hereto as Exhibit D.

(66) "Special Project Bonds" shall have the meaning ascribed thereto in Section 4.04 of this Agreement.

(67) "Special Project Customers" shall have the meaning ascribed thereto in Section 4.04 of this Agreement.

(68) "Special Project Facilities" shall have the meaning ascribed thereto in Section 4.04 of this Agreement.

(69) "State" means the State of Texas.

(70) "True-up" shall have the meaning ascribed thereto in the SETL Cost Sharing Agreement.

(71) "Unforeseen Condition" shall have the meaning ascribed thereto in the SETL Cost Sharing Agreement.

(72) "Water Capacity Purchase and Sale Agreements" means those certain Water Capacity Purchase and Sale Agreements, between the Authority, Galveston and certain political subdivisions including the City, relating to the sale of Galveston's capacity in the Plant to the City and such other parties.

(73) "Work Progress Report" shall have the meaning ascribed thereto in the SETL Cost Sharing Agreement.

ARTICLE II

PLANNING AND CONSTRUCTION OF THE PROJECT; SETL PROJECT; SETL COST SHARING AGREEMENT; AND PLANT COST SHARING AGREEMENT

Section 2.01 Completion of the 1971 Project, 1987 Project, 2001 Project and 2007 League City Project. All phases of the 1971 Project, the 1987 Project, the 2001 Project and the 2007 League City Project have been completed in accordance with the contracts authorizing the same and are now serving the Authority and the City. The Authority has previously conveyed or will convey all of Phase I of the 1971 Project to the City, and the City is responsible for the operation and maintenance thereof.

Section 2.02 The SETL Project. The Authority will cooperate with Houston, which is responsible for causing the design, construction, acquisition and equipment of the SETL Project pursuant to the terms of the SETL Cost Sharing Agreement. As further described in Section 2.03 and Article V of this Agreement, the City shall timely provide from time-to-time (or the Authority shall provide from the sale of Bonds from time-to-time), and the Authority shall disburse, monies to Houston as required by the terms of the SETL Cost Sharing Agreement to pay when due the costs of the SETL Project allocated to the Authority including, without limitation, (i) the Cost Share allocated to the Authority, including True-up payments; and (ii) Additional Funds for Unforeseen Conditions.

Section 2.03 SETL Cost Sharing Agreement. The following provisions are included in this Agreement in order to establish the process for the provision of funds by or on behalf of the City to the Authority for making the payments required under the SETL Cost Sharing Agreement:

(a) Cost Share. The City acknowledges that the SETL Cost Sharing Agreement requires the payment of the Cost Share in accordance with a series of Cash Calls, and that in order to receive the Reserved Capacity being acquired by the Authority for the benefit of the City, the Authority must deposit its Cost Share into the Account not later than the applicable Cash Call Due Date. If the amount required in a Cash Call is deposited in the Account after the Cash Call Due Date, such amount will include interest as provided in the SETL Cost Sharing Agreement.

(b) Cash Call Schedule. The current estimate of the Cost Share for the Reserved Capacity being acquired for the benefit of the City is approximately \$60 million, which cost is subject to adjustment from time to time as provided in the SETL Cost Sharing Agreement. The SETL Cost Sharing Agreement establishes a Cash Call Schedule to provide for the construction of segments of the Southeast Transmission Line, which schedule may be adjusted from time to time by the Project Director as necessary to reflect changes in the Project Schedule or Budget, including changes to address Unforeseen Conditions requiring Additional Funds in accordance with Section 4.6 of the SETL Cost Sharing Agreement. The Authority will be required to make deposits in the Account in approximately the amounts and on or before the dates set forth in the

Cash Call Schedule (which schedule and associated payment amounts are subject to adjustment as specified in the applicable Notice of Upcoming Cash Call provided by Houston).

The Authority will provide a copy of each Notice of Upcoming Cash Call the Authority receives from Houston to the City, including those relating to Unforeseen Conditions requiring Additional Funds. To the extent that the Authority advances funds one or more Cash Calls, the SETL Cost Sharing Agreement provides that such funds shall accrue interest as provided in the SETL Cost Sharing Agreement and such interest shall be distributed as part of the True-up.

(c) Payment of Costs under the SETL Cost Sharing Agreement. In consideration for the Authority's entry into the SETL Cost Sharing Agreement for the benefit of the City and in order to facilitate the efficient and cost effective financing of the costs of the SETL Project, the City hereby agrees to the following arrangements for the funding of Cash Calls and other amounts due under the SETL Cost Sharing Agreement:

(1) The City agrees to make an initial payment to the Authority in the amount of approximately \$10 million in calendar year 2019, unless Houston adjusts the Cash Call Schedule as it relates to the Cost Share incurred for Phase 1 of the SETL Project, in which case the City's payment will be made in accordance with the modified Cash Call Schedule. The Authority shall use such funds for the purpose of making payments to Houston for the Cost Share incurred in connection with Phase 1 not later than thirty (30) calendar days following the receipt of such funds from the City.

(2) Subject to the conditions contained and as further described in Article IV of this Agreement, the Authority shall from time-to-time issue special revenue obligations of the Authority, and the proceeds of such Bonds shall be used by the Authority to (i) make payments to Houston under the SETL Cost Sharing Agreement for deposit in the Account for the payment of the Cost Share not paid pursuant to Subsection (c)(1), above, on or before each applicable Cash Call Due Date, including those relating to Unforeseen Conditions requiring Additional Funds, (ii) establish such funds and accounts as may be required under the Bond Resolutions authorizing the issuance of such Bonds, and (iii) paying the costs of issuance associated with such Bonds. The City hereby consents to the issuance by the Authority of Bonds from time-to-time for the purposes described in this Section 2.03(c)(2), including through available Texas Water Development Board financial assistance programs.

(3) Unless the Authority and the City agree otherwise, the City shall pay to the Authority any additional payment due from the Authority to Houston under the SETL Cost Sharing Agreement (other than those described in Subsection (c)(1) and (2), above) not less than ten (10) calendar days prior to the date on which the Authority is obligated to make payment to Houston, in an amount equal to the amount to be paid by the Authority to Houston as evidenced by an invoice or other communication from Houston to the Authority.

(4) To the extent that the Authority is entitled to any credits or refunds from Houston under the terms of the SETL Cost Sharing Agreement, such amounts will be

allocated to the City and used to offset payments otherwise due from the City to the Authority under this Agreement.

(d) Plans and Specifications. To the extent the Authority receives copies of the plans and specifications for the SETL Project under Section 7.1.3 of the SETL Cost Sharing Agreement, the Authority shall provide the City with a copy of such plans and specifications. Except as otherwise provided in the SETL Cost Sharing Agreement, the City and the Authority agree that all designs, drawings, plans, specifications, reports, studies, or any other materials prepared for the SETL Project shall be the property of the Authority.

(e) Non- SETL Project Items. Prior to approving any Non-SETL Project Items under Section 7.3.3 of the SETL Cost Sharing Agreement, the Authority must receive the written approval of the City Manager of the City.

(f) Work Progress Report. The Authority shall provide the City with a copy of each quarterly Work Progress Report received by the Authority from Houston.

Section 2.04 Plant Cost Sharing Agreement. The following provisions are included in this Agreement for the purpose of providing for the arrangements with Houston to provide surface water to the City through the Authority which are reflected in the Plant Cost Sharing Agreement. Such provisions are to remain in force and effect only for so long as the Authority retains ownership rights in the Plant on behalf of the City.

(a) Approvals and Consent. It is understood and agreed that in those instances in which the Plant Cost Sharing Agreement requires or permits the approval or consent of the Participant Director, as that term is defined and used in the Plant Cost Sharing Agreement, such approval or consent shall be given only after the written approval and consent of the City Manager of the City. If one or more of the Authority customers of the Plant including the City give consent, but the City or other Authority customers of the Plant do not each give written approval and consent, the Authority shall provide such approval and consent as it determines in its discretion.

(b) Payment of Costs. Under certain circumstances set out in the Plant Cost Sharing Agreement, additions to or replacements or repairs for the Plant, or differences between estimated and actual costs may result in the obligation of the Authority to pay a share of costs incurred by Houston for such purposes. In addition, Section 3.8 of the Plant Cost Sharing Agreement (for purposes of clarity, the section reference is to Section 3.8 of the 2001 Plant Cost Sharing Agreement) provides for the possibility of a Major Replacement (as defined in the Plant Cost Sharing Agreement) for the Plant.

Unless the City and the Authority agree otherwise, the City's share of any additional payment to Houston by the Authority under the Plant Cost Sharing Agreement (other than the payments described in Section 2.4.1 of the 2001 Plant Cost Sharing Agreement, Article 4 of the 2001 Plant Cost Sharing Agreement (which are addressed as Operating Charges), Article II of the 2007 Amendment and Article IV of the 2007 Amendment or payments described in (d) below shall be paid to the Authority by the City in the following manner:

(1) The City shall pay to the Authority in immediately available funds, not less than ten (10) calendar days prior to the date on which the Authority is obligated to make

payment to Houston, an amount equal to the amount to be paid to Houston as evidenced by an invoice or other communication from Houston. The amount payable by the City shall be its proportionate share of the amount to be paid to Houston for costs attributable to production plus its proportionate share of the amount to be paid to Houston for costs attributable to pumping and distribution. Costs for production, pumping and distribution shall be allocated in accordance with Exhibit II "Gulf Coast Water Authority" of the 2001 Plant Cost Sharing Agreement, as amended by Exhibit II "GCWA League City" of the 2007 Amendment.

(2) If the payment from the Authority to Houston is for a Major Replacement (as defined in the Plant Cost Sharing Agreement), and if payment is not made paid to Houston on or before the day Houston issues notice to the contractor to proceed, then pursuant to Section 3.8 of the Plant Cost Sharing Agreement (for purposes of clarity, the section reference is to Section 3.8 of the 2001 Plant Cost Sharing Agreement) the expense shall be treated as a capital expense with funding temporarily supplied by the Houston's short term borrowing to be reimbursed by the City with interest within 270 calendar days. If the Authority and the City do not agree on a payment plan to be submitted to Houston by a date which is sixty (60) calendar days prior to the time payment to Houston is due, then, any other provision of this Agreement to the contrary notwithstanding, failure by the City to make payment in immediately available funds as provided in (b)(1) above shall be conclusively deemed to be consent by the City under this Agreement and any related Bond Resolutions to the issuance by the Authority of Bonds in an amount sufficient to make payment to Houston and pay the costs of issuing such Bonds. Fixed Charges payable by the City shall be adjusted to reflect the issuance of any such Bonds.

(c) Purchase and Sale of Rights; Use of Another's Capacity. The Authority agrees that it will, at the request of the City, cooperate fully and act on behalf of the City to allow the City to exercise the rights to sell water under Section 5.16 of the Plant Cost Sharing Agreement (for purposes of clarity, the section reference is to Section 5.16 of the 2001 Plant Cost Sharing Agreement).

(d) Reduction of Supply. Under the circumstances set out in Section 3.9 of the Plant Cost Sharing Agreement (for purposes of clarity, the section reference is to Section 3.9 of the 2001 Plant Cost Sharing Agreement) the supply of water to the Authority from the Plant may be reduced. In that event the Authority agrees that it will, at the City's request, request Houston to provide an alternate supply of water. If alternative supplies are not available in sufficient quantities to supply the City and the other Authority customers of the Plant at their respective Demand Allocation, the Authority or Houston shall be entitled to pro rate among the Authority's customers flow as required by Tex. Water Code § 11.039(a) and applicable law.

(e) Credits; Refunds. Any credit or refund of capital costs from Houston to the Authority related to the City's beneficial interest will be allocated to the City.

(f) Expansion of Plant. The Authority has a right of first refusal under Section 3.7 of the Plant Cost Sharing Agreement (for purposes of clarity, the section reference is to Section 3.7 of the 2001 Plant Cost Sharing Agreement) to acquire production capacity and/or pumping capacity in any expansion of the Plant undertaken by Houston. The Authority agrees that the City

shall have a right of first refusal to participate in any such expansion, in proportion to Authority's then current production capacity or pumping capacity rights under the Plant Cost Sharing Agreement. Such right of first refusal shall be exercisable by written notice to the Authority during the 150-day notice period provided for in Section 3.7 of the Plant Cost Sharing Agreement (for purposes of clarity, the section reference is to Section 3.7 of the 2001 Plant Cost Sharing Agreement).

Section 2.05 Capacity Reservation Contract. The following provisions are included in this Agreement for the purpose of providing for the arrangements with Houston to reserve for and deliver to the City the Contract Quantity as provided in the Capacity Reservation Contract. Such provisions are to remain in force and effect only for so long as the Authority is party to the Capacity Reservation Contract.

(a) Reservation of Contract Quantity. Subject to and condition upon the Authority's payment of the fees described in the Capacity Reservation Contract, Houston has agreed to reserve and deliver to the Authority for the benefit of the City, the Contract Quantity, which amount is in addition to the water that Houston currently delivers to the Authority for the benefit of the City under the Plant Cost Sharing Agreement. The City acknowledges and agrees that the Contract Quantity shall not be available for delivery to the Authority for the benefit of the City unless and until the Plant Expansion and the SETL Project are both completed and operational, subject to the terms and conditions described in the Capacity Reservation Contract.

(b) Payment of Costs under the Capacity Reservation Contract. In consideration for the Authority's entry into the Capacity Reservation Contract for the benefit of the City and in order to facilitate the efficient payment of costs under the Capacity Reservation Contract, the City hereby agrees to the following arrangements for the payment of such costs:

(1) To reserve the Contract Quantity, the Authority is required to pay Houston a nonrefundable annual Reservation Fee as described in Section 2.02 of the Capacity Reservation Contract. The City agrees to pay to the Authority an amount equal to the initial annual Reservation Fee not later than ten (10) calendar days prior to the date such payment is due under Section 2.02 of the Capacity Reservation Contract. Thereafter, the City agrees to pay to the Authority an amount equal to the annual Reservation Fee not later than thirty (30) calendar days prior to the date such payment is due under the Capacity Reservation Contract during the term of the Capacity Reservation Contract.

(2) Following the completion of the SETL Project and the Plant Expansion, the Contract Quantity will be delivered by Houston to the Authority for the benefit of the City under the terms and conditions set forth in the Plant Cost Sharing Agreement. At such time, the City shall pay for the Contract Quantity under the provisions of this Agreement governing the Plant Cost Sharing Agreement.

(3) The City further agrees to pay any other amounts due and owing to Houston under the Capacity Reservation Contract as evidenced by an invoice or other writing from Houston, it being the intention of the parties that the City shall be responsible for all costs and expenses under the Capacity Reservation Contract.

(c) Plant Expansion. Upon the request of the City, the Authority will undertake discussions with Houston regarding the execution of the Plant Expansion. The City acknowledges and agrees that the Plant Expansion, including any exploratory discussions with Houston, will be at the sole cost and expense of the City. It is the intention of the parties to address such Plant Expansion in a future contract or an amendment or supplement to this Agreement.

Section 2.06 Potential Plant Capacity Agreements. From time to time at the written request of the City, the Authority may enter into leases or purchase agreements with other Plant Cost Sharing Participants for the acquisition of water capacity for the benefit of the City. The City acknowledges and agrees that the Authority's entrance into any such leases or purchase agreements for water capacity, including negotiations with such other Plant Cost Sharing Participant, will be at the sole cost and expense of the City. The City also acknowledges that the sole source of funds for payment of the costs of water capacity under any such leases or purchase agreements will be payments from the City, and the City agrees to make such payments from time to time as required by any such agreement.

ARTICLE III DELIVERY OF WATER; OWNERSHIP AND OPERATION

Section 3.01 Point(s) of Delivery and Title.

(a) Title to, possession and control of water delivered hereunder shall remain with Houston until such water shall pass through the flow control device(s) at the Point(s) of Delivery where title to, possession and control of such water shall pass to the City. Pursuant to the Plant Cost Sharing Agreement Section 3.15 (Backflow Prevention) (for purposes of clarity, the section reference is to Section 3.15 of the 2001 Plant Cost Sharing Agreement), the City shall install downstream each Point of Delivery an air gap or backflow prevention assemblies downstream from the flow control device as required by Houston. A different or additional Point(s) of Delivery may be designated by the parties as circumstances may require subject to Houston's approval.

(b) The Authority is entitled to take water to which it is entitled under this Agreement at any Points of Delivery established pursuant to the Plant Cost Sharing Agreement or the SETL Cost Sharing Agreement.

Section 3.02 Quantities.

(a) The Authority will acquire, on behalf of the City and hereby conveys and confirms a beneficial interest in the Plant as defined in the Plant Cost Sharing Agreement.

(b) The Authority agrees to deliver to the City in the manner, at the times, and for the price set out herein, water in amounts as required by the City up to the amounts to which the City is entitled pursuant this Agreement, and any additional water which may be acquired in the future for the use and benefit of the City.

(c) The City agrees that, to the extent that it is not using its full production capacity, pumping capacity or Reserved Capacity hereunder, a portion of such unused capacity may be used by the Authority; provided that the Authority shall be responsible for paying operating costs attributable to any portion so used; and provided further that the City shall at all times have the

right to the full use of its production capacity, pumping capacity and Reserved Capacity hereunder and that Authority's rights hereunder to use such unused capacity shall be subordinate and subject to the rights of the City in all respects.

Section 3.03 Pressure and Rate of Flow. In the Plant Cost Sharing Agreement and the SETL Cost Sharing Agreement, Houston has agreed to deliver water from the Plant to the Participant at a pressure meeting the requirements of state law at the respective Point(s) of Delivery and to impose certain rate of flow limitations. The Authority shall undertake reasonable efforts to enforce these provisions if requested by the City.

Section 3.04 Quality. The parties recognize that the source of water to be furnished by the Authority to the City under this Agreement is from the Plant and the Authority shall not be responsible for the quality of water as produced by the Plant.

Section 3.05 Measuring Equipment.

(a) Pursuant to the SETL Cost Sharing Agreement and the Plant Cost Sharing Agreement, and Houston shall install, own, maintain, and replace at the Point(s) of Delivery (or the Point(s) of Measurement, as defined in the SETL Cost Sharing Agreement, if different) the necessary equipment and devices of standard type for measuring properly the quantity of water received from Houston and delivered to the City under this Agreement and the Authority shall have no responsibility with respect to such metering. Such meter or meters or other equipment so installed shall be the property of Houston. The City and the Authority shall have access to such metering equipment at all reasonable times, but the reading, calibration and adjustment thereof shall be done only by the employees or agents of Houston.

(b) Upon written request of the City, the Authority shall request Houston to give the Authority and the City access to books and records pursuant to the terms of the Plant Cost Sharing Agreement. Upon written request of the City, the Authority shall request Houston to calibrate its meters relating to the delivery of water to the City and shall exercise the Authority's rights relating to calibration of meters and check meters.

(c) All obligations of the Authority as a Plant Cost Sharing Participant under the Plant Cost Sharing Agreement to supply back flow or air gap assembly and similar operational facilities or equipment shall be the responsibility of the City and upon written request of the Authority, the City shall comply with such obligations.

(d) The Authority agrees to convey to the City by separate instrument any retained interest held by the Authority in the Deeded Property as shown in the Special Warranty Deed. The City shall operate and maintain at its own expense the Deeded Property and all necessary equipment and devices to measure properly the quantity of water received from the Authority and delivered to the City under this Agreement and the Authority shall have no responsibility with respect to such metering. Any meter or meters or other equipment installed shall be the property of the Authority. The Authority shall have access to such metering equipment at all reasonable times, but the reading, calibration and adjustment thereof shall be done only by the employees or agents of the City. For the purpose of this Agreement, the original record or reading of the meter or meters shall be in a journal or other record book of the City in its offices in which the records

of the employees or agents of the City who take the readings with respect to delivery of water may be transcribed in the event of a discrepancy between the City and Houston.

Section 3.06 Annual Operating Budget.

(a) The Authority shall deliver by mail or electronic delivery, whichever is preferred by the City, a copy of the budget prepared by Houston and submitted to the Authority within five business days of the Authority's receipt of such budget.

(b) The Authority shall prepare and submit to the City for approval, at least sixty (60) calendar days prior to the beginning of each Authority fiscal year a budget for the cost of water supplied to the City under this Agreement for the ensuing year, including general administrative expenses and overhead of the Authority, in an amount not to exceed \$5,000 per month, and direct charges (e.g. legal, engineering, and financial advisory services) attributable to the matters covered by this Agreement. Any annual budget may be amended with the written approval of the Authority and the City.

Section 3.07 Ownership of the SETL Project. It is expressly agreed and understood that the Authority will own a beneficial interest in the SETL Project for the benefit of the City.

Section 3.08 Operation of the SETL Project.

(a) Section 11.15 of the SETL Cost Sharing Agreement provides that the SETL Participants will negotiate in good faith an agreement for the operation and maintenance of the Southeast Transmission Line.

(b) From and after the completion of the SETL Project the Authority shall provide for the operation and maintenance of the SETL Project in a manner that will best assure that such facilities shall remain in good operational condition consistent with their intended uses under an agreement with Houston and other participants in the SETL Project as contemplated in Section 11.15 of the SETL Cost Sharing Agreement. The operation and maintenance of the SETL Project shall be at the sole cost and expense of the City throughout the term of this Agreement.

Section 3.09 City's Consent to Pipelines, etc. If any water main, pipeline or appurtenance of the Authority should be located on any land now or hereafter owned or under the control of the City or within the present or future boundaries or extraterritorial jurisdiction of the City, the City hereby consents thereto or will grant to the Authority the right or privilege, easement, right-of-way and franchise to use such land for the purpose of maintaining, operating, laying, repairing and removing such water mains, pipelines and appurtenances until termination of this Agreement.

Section 3.10 Serving Other Customers.

(a) The parties recognize that the Authority contemplates the construction of additional facilities to serve other cities, towns, conservation districts, industries and customers and nothing in this Agreement shall be construed to hinder or impair the Authority's power and privilege to do so. No part of the capital or operating costs of any such facilities constructed or acquired solely for the benefit of other customers shall be charged to the City; provided that the Authority's general

overhead and administrative expenses shall be allocated on an equitable basis among all of the Authority's customers.

(b) The Authority and the City may agree to increase or decrease the City's entitlement in the capacity of the Plant, the SETL Project or other facilities during the term of this Agreement. Nothing herein shall prevent the Authority from contracting to sell water to other customers through these or other facilities acquired by the Authority for the conveyance of water provided that nothing in any such contract shall impair the ability of the Authority to deliver to the City the full daily quantity of water. The City may sell any portion of the water received by it under this Agreement to third parties so long as, in the written opinion of nationally recognized bond counsel acceptable to the Authority, such sale would not adversely affect the exemption of interest on the Bonds in the hands of the owners of such bonds; and provided that no such sales shall reduce the City's obligation to the Authority to pay Fixed Charges or Operating Charges on water delivered to the City pursuant to this Agreement.

Section 3.11 Water Conservation and Drought Contingency Programs. The City shall approve and implement a water conservation plan and a drought contingency plan as required by the Texas Commission on Environmental Quality pursuant to 30 TAC § 288. The City agrees to amend its water conservation plan and/or drought contingency plan, as necessary, to reflect amendments in state law, and the water conservation plans and drought contingency plans of Houston and the Authority as they apply to the water subject to this Agreement.

Section 3.12 Purchase and Sale Agreement. Nothing in this Restated Water Supply Contract shall be construed to alter the terms of the Water Capacity Purchase and Sale Agreement.

Section 3.13 Replacement of League City Line and Emergency Water Supply.

(a) *Replacement of League City Line.* When necessitated by catastrophic failure or the lines reaching the end of their useful life, the costs of the replacement of or a mutually acceptable alternative rehabilitation process for the lines that include the 1971 Project running from an origination point at the City's pump station located in the City of Webster, Texas to a termination point at the Calder Meter Station (the "League City Line," as depicted in Exhibit E) will be shared between the City and the Authority, with eighty percent (80%) of such replacement or mutually acceptable alternative rehabilitation costs to be borne by the City and twenty percent (20%) to be borne by the Authority. If the replacement of the League City Line is necessitated by other than catastrophic failure or the end of its useful life, the parties will meet to discuss the extent to which the replacement is beneficial to the Authority and the extent, if any, of the Authority's participation in the replacement project. The City acknowledges and agrees that the only source of funds available to the Authority for any such replacement is the charges imposed by the Authority and paid by the Mainland Customers pursuant to the Mainland Water Project Customer Contracts, as amended, and any successor contracts thereto.

(b) *Emergency Supply to Authority through League City Line.* As consideration for the Authority's agreement to participate in the costs described in subsection (a), in the event of a drought or other emergency affecting the Authority's water supply the Authority shall have a right to and the City shall deliver to the Authority for the benefit of the Authority's customers an amount of water equal to a minimum of twenty percent (20%) of the total capacity held by the Authority

for the benefit of the City in the Plant, as such capacity may be adjusted from time to time under contracts with Houston. The City's obligation to deliver such volume of water shall be subject to the pumping capacity of the City's pump station located in the City of Webster and any physical and hydraulic limitations on the ability of the Authority's water transmission system to receive such volume of water. The City will deliver such water to the Authority at a delivery point south of the Calder Meter Station as depicted on Exhibit E. The City agrees to use its best efforts to provide such water to the Authority, including but not limited to implementing its drought contingency plan and utilizing wells as necessary to facilitate the delivery of the agreed upon volume of water. The price for water delivered to the Authority under this provision will be a pass through of the cost of such water under the Authority's contracts with Houston. The City acknowledges and agrees that the only source of funds available to the Authority for any such costs is the charges imposed by the Authority and paid by the Mainland Customers pursuant to the Mainland Water Project Customer Contracts, as amended, and any successor contracts thereto.

(c) *Emergency Water Supply to the City through the League City Line.* In the event of an emergency affecting the City's water supply received from the Plant, the Authority will use reasonable efforts to provide emergency water supply to the City from the Authority's Mainland Division or its successor. The Authority will deliver such water to the City at a delivery point south of the Calder Meter Station as depicted on Exhibit E. The parties recognize that the Authority's ability to supply emergency water through the Mainland Division is limited by its contracts with other Authority customers as well as the physical and hydraulic limitations of the water system. As a result, the Authority cannot commit to supply a specific volume of water or guarantee that water will be available in the event of an emergency. The price for water delivered to the City under this provision will be the rate paid by the City for the water it receives from the Mainland Division or its successor under the City's contracts with the Authority.

ARTICLE IV

ISSUANCE OF BONDS

Section 4.01 Issuance of Bonds.

(a) Subject to the Authority's receipt of all requisite approvals from all federal, state and local agencies having regulatory jurisdiction over the Authority, the Authority shall issue Bonds in one or more series at such time or times and in such amounts as the Authority shall deem appropriate to finance the estimated costs of the Project. The Authority and the City hereby agree that Bonds may be issued to fund one or more Cash Calls at the discretion of the Authority.

(b) The Authority shall use its best efforts to sell the Bonds, within the limits prescribed by law, under terms that are the most advantageous reasonably attainable by the Authority at the time of the sale.

(c) The Bonds shall be special revenue obligations of the Authority payable from and secured solely Fixed Charges Payments to be made by the City under this Agreement, certain proceeds of the Bonds, and other amounts from time to time on deposit in various funds and accounts created under the Bond Resolutions authorizing the issuance of such Bonds.

(d) The City hereby agrees to promptly furnish the Authority with such certificates, data, projections and related information as may be required or requested by the Authority (i) in connection with the sale of the Bonds in order to comply with all applicable laws, rules and regulations, including 17 CFR 240.15c2-12 (municipal securities disclosure), as amended, and (ii) the approval of the Bonds by the Attorney General of the State. The City further covenants and agrees to provide to the Authority with such financial information, data, projections and related information as may reasonably be required by the Authority in connection with the sale of the Bonds and ongoing compliance with all applicable laws, rules and regulations relating to the issuance of such Bonds. Further, the City agrees to cooperate with the Authority in the issuance of any Bonds and the preparation of any offering document or application relating to such Bonds.

(e) The Authority shall submit to the City for review a copy of the official statement, if any, the Bond Resolution and the terms of the sale of the Bonds or other Bonds to be issued to finance or refinance the cost of the Project.

(f) Following sale of each series of Bonds, the Authority shall furnish the City with a maturity schedule showing the annual payments required to pay all interest on and principal of the Bonds when and as the same shall become due and payable (including all sinking fund payments to be made in respect of the Bonds).

(g) The Authority and the City may mutually determine in the future that it is in the best interest of the City and the Authority to refinance the Bonds, any Bonds previously or subsequently issued to finance or refinance the Project, or any Bonds issued to complete or improve the Project, and to issue additional series of Bonds for such purposes as may be authorized under a Bond Resolution of the Authority authorizing issuance of the Bonds and any additional or supplemental Bond Resolutions adopted by the Authority in connection with the issuance of any such refunding bonds or additional bonds.

(h) The Authority and the City covenant and agree that tax-exempt obligations are outstanding neither of them shall use or permit to be used any of the Project acquired under this Agreement in any manner or for any purpose which would cause any such Bond to be deemed a "private activity bond" within the meaning of Section 141 of the Code, or as an "arbitrage bond" within the meaning of Section 148 of the Code.

(i) With respect to any Bonds issued for the SETL Project, the Authority shall apply the proceeds of each series of Bonds as provided in the Bond Resolution authorizing such series of Bonds and for the purposes described in Section 2.03 of this Agreement. Any amounts remaining in the applicable project fund after payment of the Cash Calls or completion of the portion of the SETL Project being financed with such series of Bonds shall be applied (a) to make payments in connection with future Cash Calls, (b) to pay debt service on such series of Bonds by calling and redeeming Bonds prior to maturity and/or transferring such remaining amounts to the interest and sinking fund for the Bonds, or (c) utilized as may be required by federal tax law in order to maintain the tax status of such series of Bonds.

(j) With respect to Bonds issued for portions of the Project other than that SETL Project, the Authority shall apply the proceeds of each series of Bonds as provided in the Bond Resolution authorizing such series of Bonds. Any amounts remaining in the project fund after

completion of the portion of the Project being financed with such series of Bonds shall be applied (a) to make payments in connection with future portions of the Project, (b) to pay debt service on such series of Bonds by calling and redeeming Bonds prior to maturity and/or transferring such remaining amounts to the interest and sinking fund for the Bonds, or (c) utilized as may be required by federal tax law in order to maintain the tax status of such series of Bonds.

(k) The City shall have the right to cause the Authority to redeem or defease the Bonds prior to their scheduled maturities, in whole or in part, as authorized by the applicable Bond Resolution. The City shall provide the Authority with written notice of such early redemption, including the maturities and amounts to be redeemed and evidence satisfactory to the Authority of the City's obligation to pay the principal amount of, plus accrued interest on, such bonds scheduled for early redemption.

(l) Nothing contained in this Agreement is intended to modify (i) the Authority's obligation to charge and collect or the City's obligation to make Contract Payments, as such term is defined in the bond resolution authorizing the issuance of the Series 2011 Bonds, (ii) any funds and accounts established under the bond resolution authorizing the issuance of the Series 2011 Bonds, or (iii) the rights of the holders of the outstanding Series 2011 Bonds.

Section 4.02 Reserve Funds. Each bond resolution of the Authority authorizing a series of Bonds may provide for the establishment and maintenance of one or more reserve funds to be used by the Authority for the following purposes:

(a) a debt service reserve fund may be used to prevent a default in the payment of principal of, premium, if any, and interest on and paying agent/registrars fees on the Bonds if there is insufficient money for such purposes in the interest and sinking fund established for such Bonds;

(b) an operating reserve may be used to pay for the repair and replacement or operating charges of the Project; and

(c) such other reserve funds as may be required in connection with the financing or refinancing of the Project.

Section 4.03 Additional Bonds. The Authority reserves the right to issue additional Bonds payable from the same source as the Bonds, which bonds may be secured by a lien on and pledge of such sources, which is senior to, on parity with or junior to those securing any then outstanding Bonds, to finance any costs of completing the Project and to finance any additions, extensions or improvements to the Project or other facilities, but the Authority will not issue any such additional Bonds payable from payments made by the City under this Agreement (beyond those to which the City has consented in Article II of this Agreement) without the prior written consent of the City.

Section 4.04 Special Project Bonds. Following the retirement of the Series 2011 Bonds, the Authority shall reserve the right in each Bond Resolution authorizing the issuance of Bonds, to issue bonds (hereinafter called "Special Project Bonds") for the purpose of constructing, acquiring, adding to, expanding or extending facilities to serve any new or existing water customers of the Authority. Facilities constructed or acquired with the proceeds of Special Project Bonds or paid for by any new or existing water customers of Authority, and any addition to or

expansion or extension of any part of the Project, to the extent financed with the proceeds of Special Project Bonds or paid for by any new or existing water customers of Authority, are hereinafter called "Special Project Facilities"; and any new or existing customers served in whole or in part by Special Project Facilities are hereinafter called "Special Project Customers." The principal of and interest on Special Project Bonds shall be payable from revenues derived from Special Project Facilities, and the expenses and other expenditures attributable to Special Project Facilities shall not be charged to the City (unless the City is the Special Project Customer). The Authority's general overhead and administration expenses and any other expenses and expenditures applicable to both Special Project Facilities and the Project shall be apportioned between them in a reasonable manner.

ARTICLE V

PAYMENTS BY CITY TO THE AUTHORITY

Section 5.01 General. The parties hereto recognize that because the price the Authority must pay for water from Houston will vary from time to time according to volume, the costs of the SETL Project may vary from time to time, and the operation, maintenance and repair expenses of the Authority and debt service requirements on its Bonds issued to provide facilities with which to serve the City will also vary from time to time, it is neither practical nor possible to fix a schedule of specific rates in this Agreement that will control the price paid by the City to the Authority for water delivered throughout the term of this Agreement. The parties further recognize, however, that the Authority is not organized for profit and that its rates for water should at all times be the lowest reasonable rates consistent with good business management on the part of the Authority and with the commitment the Authority must make to its bondholders in order to provide funds to construct the facilities necessary to supply water to the City and other customers. The Authority further recognizes its obligation as a public utility to serve all customers of the same class without discrimination either as to rates or types of service.

Section 5.02 Amount of Payments. As full and complete consideration for the services to be performed by the Authority hereunder, for so long as any of the Bonds are outstanding under Bond Resolutions that authorized the issuance of such Bonds, the City shall pay to the Authority a sum equal to the following payments:

(a) *Fixed Charges*. All costs and expenses paid or incurred by the Authority in connection with the financing or refinancing of the Project (collectively, the "Fixed Charges"), including without limitation, the following:

(1) payments of principal (whether upon maturity or earlier optional or mandatory redemption), redemption premium, if any, and interest that the Authority makes on all Bonds and amounts that the Authority is required to make into any sinking fund, debt service reserve fund, operating and maintenance reserve fund or account under the terms of the applicable bond resolution;

(2) amounts related to the Bonds and required under the applicable bond resolution to be paid or deposited into any fund or account established by such bond resolution (other than funds and accounts referred to in clause (1) above), including any

amounts required to be paid or deposited by reason of the transfer of monies from such funds or accounts to the funds or accounts referred to in clause (1) above, provided that the City shall receive credits against any amounts due under the preceding paragraph (1) or this paragraph (2) for investment earnings (net of any losses and expenses), if any, on amounts deposited in any funds created under such bond resolution and required to be paid by the City under the preceding paragraph (1) or this paragraph (2);

(3) amounts which the Authority is required to pay under any credit agreements, agreements with any trustee, bond insurer, escrow agent, tender agent, or paying agent, or remarketing costs related to the Bonds;

(4) additional amounts that must be realized by the Authority in order to meet the requirement of any rate covenant contained in the applicable bond resolution with respect to coverage of principal of, premium, if any, and interest on the Bonds;

(5) the cost of preparing any arbitrage rebate reports and any arbitrage rebate payment payable to the United States of America in accordance with Section 148 of the Code, together with all fiscal agent and legal fees and expenses associated with such payments, provided the Authority timely files arbitrage reports with the Internal Revenue Service and has made good faith efforts to minimize arbitrage rebate payments; and

(6) all costs relating to continuing disclosure obligations in connection with the Bonds.

(b) *Operating Charges.* Operating Charges in the rate schedule applicable to the City shall include the following items:

(1) *With respect to the 1971 Project:* The City shall maintain and operate, at its sole expense the Deeded Property. The City shall maintain and operate such properties and facilities in accordance with prudent utility practices and shall keep such properties and facilities insured to the extent and in the manner commonly insured by other public utilities owned or operating similar properties and facilities. The City shall operate any other portions of the 1971 Project still owned by the Authority and shall pay such costs in Operating Charges, except for the Calder Meter Station which the Authority will maintain. The charges for emergency water provided through the League City Line shall be as described in Section 3.13 of this Agreement.

(2) *With respect to the 1987 Project, the 2001 Project and the 2007 League City Project:* Operating Charges for the 1987 Project, the 2001 Project and the 2007 League City Project shall include the following:

(i) all sums which are due and payable to Houston from time to time under the Plant Cost Sharing Agreement with respect to the 1987 Project, the 2001 Project and the 2007 League City Project, including without limitation, payments due under Article 4 of the Plant Cost Sharing Agreement; and

(ii) and any costs incurred by the Authority or directly arising out of the ownership and operation of the 1987 Project, the 2001 Project and the 2007 League

City Project, including costs and expenses of any claim or cause of action asserted against the Authority, even if asserted by the City and even if due to the Authority's negligence, except to the extent that the Authority receives funds from a related insurance claim.

Plant Cost Sharing Participants who increase their Demand Allocation in the 200 MGD Project may pay the Managing Participant's standard contract rates for untreated water currently described in the City of Houston Code of Ordinances Section 47-85 or may alternatively elect to pay an existing untreated water Capital Charge, untreated water New Debt Service Expenses, and Untreated Water O&M (each as defined in the 2007 Amendment) in accordance to Article VII of the 2007 Amendment. The Authority will use its best efforts to exercise the option elected by the City for the untreated water.

(3) *City Plant Cost Sharing Agreement Charges.* The "City Plant Cost Sharing Agreement Charges," which shall be in an amount equal to all of the costs, expenses and payments described in Section 2.04(b) of this Agreement.

(4) *City SETL Cost Sharing Agreement Charges.* The "City SETL Cost Sharing Agreement Charges," which shall be an amount equal to all of the costs, expenses, and payments described in Section 2.03(c)(1) and (3) of this Agreement.

(5) *City SETL Operating Charges.* The "City SETL Operating Charges," which shall be in an amount equal to the operations and maintenance expenses described under Section 3.08 of this Agreement, which amounts may be further described in an agreement with Houston and the other participants in the SETL Project as contemplated in Section 11.15 of the SETL Cost Sharing Agreement.

(6) *Authority Administrative Expenses Charges.* The "Authority Administrative Expenses Charges," which shall be the amounts necessary to compensate the Authority for the general administrative expenses and overhead of the Authority, in an amount not to exceed \$5,000 per month, and direct charges (e.g. legal, engineering, and financial advisory services) incurred in connection with the management of the Plant Cost Sharing Agreement, SETL Cost Sharing Agreement, the Capacity Reservation Contract, Plant capacity agreements, and any agreement providing for the operation of the Project or SETL Project, the management of the Bonds, and the operation, maintenance or inspection of the Project or SETL Project. The Authority Administrative Expenses Charges shall be based on the budgets prepared by the Authority. The Authority will use reasonable efforts to provide the City with a draft of each annual budget two (2) months prior to the effective date of such budget.

(7) *City Capacity Reservation Contract Charges.* The "City Capacity Reservation Contract Charges," which shall be an amount equal to all of the costs, expenses, and payments described in Section 2.05(b) of this Agreement.

Section 5.03 Timing of Payments.

(a) *Fixed Charges Payments.* Payments of Fixed Charges (the "Fixed Charges Payments") shall be payable in periodic payments as follows:

(1) For the purpose of paying current debt service on the Bonds and maintaining required reserve funds the following monthly payments shall be made by the City not later than the 20th day of the month:

(i) One-sixth ($1/6^{\text{th}}$) of the interest payments on all of the Bonds then outstanding that are due and payable on the next interest payment date; plus

(ii) One-twelfth ($1/12^{\text{th}}$) of all principal payments (whether at maturity or by reason of any mandatory or extraordinary redemption provisions) on all Bonds that are due and payable on the next principal payment or redemption date and the costs of any credit agreements entered into in connection with the Bonds; plus

(iii) One-sixth ($1/6^{\text{th}}$) of all paying agent/registrars, trustee fees, and other expenses paid in connection with the Bonds; plus

(iv) The monthly amount required to be deposited into a debt service reserve fund, if any, or operating and maintenance reserve fund, if any, in order to ensure the maintenance of the proper balance in such reserve fund in the manner set forth in the bond resolution authorizing the issuance of Bonds.

(2) For Fixed Charges not described in subsection (a)(1), above, Fixed Charges Payments shall be promptly made by the City to the Authority upon receipt of a written request therefor.

(b) *Payments of Operating Charges.* Operating Charges shall be payable in periodic payments as follows:

(1) The Authority shall bill the City for Operating Charges described in Section 5.02(b)(2) monthly, or at such other interval as may be agreed to by the parties. Such bills will be sent to the City by the 10th day of the month and shall be due and payable on the 20th day of such month.

(2) *City Plant Cost Sharing Agreement Charges Payments.* Payments of the City Plant Cost Sharing Agreement Charges (the "City Plant Cost Sharing Agreement Charges Payments") shall be made at the times described in Section 2.04(b) of this Agreement.

(3) *City SETL Cost Sharing Agreement Charges Payments.* Payments of the City SETL Cost Sharing Agreement Charges (the "City SETL Cost Sharing Agreement Charges Payments") shall be made at the times described in Section 2.03 of this Agreement.

(4) *City SETL Operating Charges Payments.* Payments of the City SETL Operating Charges (the "City SETL Operating Charges Payments") shall be made in accordance with the agreement contemplated by Section 11.15 of the SETL Cost Sharing Agreement.

(5) *Authority Administrative Expenses Charges Payments.* Payments of the Authority Administrative Expenses Charges (the "Authority Administrative Expenses Charges Payments") shall be made monthly by the City to the Authority in an amount equal to one-twelfth (1/12th) of the estimated annual authority administrative expenses described in Section 5.02(b)(6) of this Agreement. For any Authority Administrative Expenses Charges not covered through the annual budget process, Authority Administrative Expenses Charges Payments shall be promptly made by the City to the Authority upon receipt of a written request therefor.

(6) *City Capacity Reservation Contract Charges Payments.* Payments of the City Capacity Reservation Contract Charges (the "City Capacity Reservation Contract Charges Payments") shall be made at the times described in Section 2.05(b) of this Agreement.

Section 5.04 Source of Payments.

(a) The City and the Authority recognize that the Bonds will be payable from, and secured by, a pledge of the Fixed Charges Payments to be received by the Authority under this Agreement and that in order to make the Bonds marketable at the lowest available interest rate, it is to the mutual advantage of the City and the Authority that the City's obligation to make the payments required hereunder be unconditional. All sums payable hereunder to the Authority shall, so long as any part of the Bonds are outstanding and unpaid, be paid by the City without set-off, counter-claim, abatement, suspension or diminution except as otherwise expressly provided herein. So long as any part of the Bonds are outstanding and unpaid, this Agreement shall not terminate, nor shall the City have any right to terminate this Agreement nor be entitled to the abatement of any payment or any reduction thereof nor shall the obligations hereunder of the City be otherwise affected for any reason, it being the intention of the parties that so long as any part of the Bonds are outstanding and unpaid, all sums required to be paid by the City to the Authority shall continue to be payable in all events and the obligations of the City hereunder shall continue unaffected, unless the requirement to pay the same shall be reduced or terminated pursuant to an express provision of this Agreement. The amounts owed by the City under this Agreement shall be payable by the City, notwithstanding the suspension, interruption, temporary or permanent termination or unavailability of water from the Plant or through the SETL Project or the Project, in whole or in part, or damage to the Plant, the SETL Project or the Project for any reason whatsoever, and shall not be subject to any reduction, whether by offset or otherwise.

(b) All payments required to be made by the City to the Authority under this Agreement shall be payable from the revenues and income received by the City from the ownership and operation of its water and sewer system. The Authority shall never have the right to demand payment by the City of any obligations assumed by or imposed upon it under or by virtue of this Agreement from any funds raised or to be raised by taxation, and the City's obligations under this Agreement shall never be construed to be a debt of the City of such kind as to require it under the Constitution and laws of the State to levy and collect a tax to discharge such obligation. Nothing in this Section, however, shall be construed as preventing the City, in its sole discretion, from making any such payment from sources other than revenues and income of the City's water and sewer system. Pursuant to the provisions of Section 791.026, Texas Government Code, the

payments made hereunder shall be an operating expense of the City's water system and sewer system.

(c) During the term of this Agreement, so long as the Authority has potable water available from the Plant under the Agreement or from the Mackey Plant under water supply contracts with the Authority to supply the City in amounts sufficient to meet the City's needs, the City shall not obtain potable water from a source other than the Authority except (i) from facilities owned by the City or contracted for on the date hereof, (ii) from groundwater sources now or hereafter available to the City, (iii) as may otherwise be permitted by the City's contracts with the Authority, or (iv) with the consent of the Authority.

(d) The City covenants and agrees to fix and maintain such rates and collect such charges for the facilities and services provided by its water and sewer system as will be adequate to permit the City to make prompt payment of all expenses of operating and maintaining the City's water and sewer system, including all payments under this Agreement, and to make prompt payment of the interest on and principal of the bonds or other obligations of the City payable, in whole or in part, from the revenues of its water and sewer system. The City pledges such revenues to payment of the amounts due hereunder to the Authority.

(e) The City covenants and agrees that any Fixed Charges Payment to the Authority required by this Article V shall be absolute and unconditional, free of deductions and without any abatement, offset, recoupment, diminution or set-off whatsoever.

Section 5.05 Prompt Payment Act. Payments by the Purchaser shall be subject to the provisions of the Texas Prompt Payment Act, Texas Government Code Chapter 2251, as amended.

ARTICLE VI

DEFAULTS AND REMEDIES

Section 6.01 Default. The following shall be considered a default under this Agreement:

(a) the failure of the City to make any monetary payment when due under this Agreement; or

(b) the failure of either party to perform and observe in a timely manner any nonmonetary obligations or covenants contained in this Agreement and such failure is not cured within thirty (30) calendar days after notice, specifying such default, is given to the nonperforming party by the other party; provided, however, that if the nonperformance cannot reasonably be cured within thirty (30) calendar days, then no default shall occur if, and as long as, the party has initiated all remedial action reasonably possible within the thirty (30) calendar-day period and thereafter continues diligently to remedy the failure.

Section 6.02 Remedies.

(a) It is not intended hereby to specify (and this Agreement shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination of this Agreement) existing at law or in equity may be availed of by either party and shall be

cumulative. Recognizing, however, that the Authority's undertaking to provide and maintain a supply of water hereunder is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone, the Authority agrees, in the event of any default on its part, that the City shall have available to it the equitable remedy of specific performance in addition to any other legal or equitable remedies (other than termination of this Agreement) which may also be available to the City. Recognizing that failure in the performance of any of the City's obligations hereunder could not be adequately compensated in money damages alone, the City agrees in the event of any default on its part that the Authority shall have available to it the equitable remedy of specific performance in addition to any other legal or equitable remedies (other than termination of this Agreement but including the right to cease delivery of water for non-payment of the City's obligations hereunder) which may also be available to the Authority. Notwithstanding anything to the contrary contained in this Agreement, any right or remedy or any default hereunder shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two years after the occurrence of such default.

(b) The Authority recognizes the great importance of the water supply provided by this Agreement to the health and welfare of the City and its citizens and that the City is a principal beneficiary of the Plant Cost Sharing Agreement, the SETL Cost Sharing Agreement and the Capacity Reservation Contract. If Houston should at any time default in the performance of its obligation to deliver water to the Authority, thereby impairing the Authority's ability to deliver water to the City, the Authority covenants and agrees with the City to proceed promptly and with diligence to require Houston to remedy such default, failing which the City shall have the right to proceed in its own name, or in the name and on behalf of the Authority to enforce by judicial action or otherwise the Authority's contractual and statutory rights to the delivery of water from the Plant.

(c) If a monetary default shall occur and be continuing, the Authority shall have the right to cease delivery of water through the Project by giving to the City thirty (30) calendar days' advance written notice of the effective date of such cessation. Such cessation, however, shall not be effective if prior to the effective date of cessation the City shall have fully paid such bill and the interest accrued thereon. In addition, the Authority shall have the right to terminate all of the City's other rights, including the City's right to receive delivery of water, but not the City's monetary and non-monetary obligations, under this Agreement. No termination of rights pursuant to this Section 6.02(c) shall have the effect of relieving the City of any liability which it would otherwise have had if no such termination had occurred.

(d) The Authority and the City may commence suits, actions or proceedings at law or in equity, including suits for specific performance as may be necessary or appropriate to enforce the obligations of the defaulting party.

Section 6.03 No Additional Waiver Implied. No waiver or waivers of any breach or default (or any breaches or defaults) by either party hereto of any term, covenant, condition, or liability hereunder or of performance by the other party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, character, or description, under any circumstances.

Section 6.04 Force Majeure. If Force Majeure prevents either party hereto from performing any of its obligations under this Agreement (except the unconditional obligation of the City to make the payments required in Article V), in whole or in part, then the obligations of such party, to the extent affected by such Force Majeure, shall be suspended during the continuance of any inability so caused, so long as such party is exercising due diligence to resume performance at the earliest practicable time. As soon as reasonably possible after the occurrence of the Force Majeure relied upon, the party whose contractual obligations are affected thereby shall give notice and full particulars of such Force Majeure to the other party. No damage shall be recoverable from the Authority by reason of the temporary suspension of delivery of water due to any Force Majeure. If the Authority's ability to deliver water to the City is affected by any Force Majeure, the Authority shall promptly forward to the City Director of Public Works any information the Authority receives from Houston in writing as soon as practicable. Nothing in this Section shall prevent the Authority from asserting damages against any third party for interruption of services, in which event the Authority and the City shall share in the proceeds of any recovery, to the extent of their respective damages. The term "Force Majeure," as used herein, shall include, without limitation of the generality thereof, acts of God, strikes, lockouts, or other industrial disturbances, acts of the public enemy, orders of any kind of the Government of the United States, of the State, of any civil or military authority, insurrections, riots, epidemics, landslides, drought, lightning, earthquakes, fires, hurricanes, storms, floods, water of unusable quality, washouts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to the Authority's or Houston's machinery, pipelines or canals, or of damage to the Authority's water conveying system caused by events beyond the Authority's control, default by Houston in delivering water to the Authority, and any other incapacities of either party, whether similar to those enumerated or otherwise, which are not within the control of the party claiming such inability, and which such party could not have avoided by the exercise of due diligence and care. It is understood and agreed that the settlement of strikes and lockouts shall be entirely within the discretion of the party having the difficulty and that the above requirement that any Force Majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts by acceding to the demands of the opposing party or parties when such settlement is unfavorable to it in the judgment of the party having the difficulty.

ARTICLE VII TERM AND GENERAL PROVISIONS

Section 7.01 Approval by the City. Whenever this Agreement requires or permits approval or consent to be hereafter given by the City, such approval or consent shall be effective without regard to whether such approval or consent is given before or after the time required herein. Except as otherwise provided herein, such approval or consent shall be evidenced by an ordinance or resolution adopted by the governing body of the City or by an appropriate certificate executed by a person, firm or entity authorized to determine and give approval or consent on behalf of the City pursuant to an ordinance or resolution adopted by the governing body of the City. In addition to the delegations made elsewhere in this Agreement, for each approval or consent of the City involving an expense to the City of less than \$100,000, the City Manager of the City is authorized to provide such approval or consent on behalf of the City without further action by the City Council. No consent or approval of the City shall be required as a condition to any action by the Authority except as expressly required in this Agreement.

Section 7.02 Limits of Liability. THE CITY RECOGNIZES THAT THE AUTHORITY ENTERED INTO THIS AGREEMENT TO ASSIST THE CITY OBTAIN WATER FROM HOUSTON THROUGH THE PROJECT AND IN NO EVENT WHATSOEVER SHALL THE AUTHORITY HAVE ANY LIABILITY TO THE CITY FOR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, SPECIAL, OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION ANY DAMAGES RELATING TO LOST PROFITS, GOODWILL OR REPUTATION, BUSINESS INTERRUPTION, OR THE LIKE, REGARDLESS OF THE FORM OF CLAIM OR CAUSE OF ACTION AND REGARDLESS OF WHETHER SOUNDING IN CONTRACT, TORT (INCLUDING NEGLIGENCE, STRICT PRODUCTS LIABILITY, AND OTHERWISE), STATUTORY, OR OTHERWISE, AND REGARDLESS OF WHETHER HAVING BEEN NOTIFIED OF THE POSSIBILITY OR LIKELIHOOD OF ANY SUCH DAMAGES. WITHOUT REGARD TO THE NATURE OF ANY CLAIM OR CAUSE OF ACTION. THE CITY WAIVES ANY CLAIM OR CAUSE OF ACTION FOR DAMAGES AGAINST THE AUTHORITY EVEN IF DUE TO AUTHORITY'S NEGLIGENCE RELATING TO OR ARISING OUT OF THIS AGREEMENT OR THE WATER TO BE PROVIDED BY THE AUTHORITY TO THE EXTENT THE AMOUNT OF SUCH CLAIM OR CAUSE OF ACTION EXCEEDS THE AMOUNT, IF ANY, WHICH THE AUTHORITY RECEIVES FROM INSURANCE, IF ANY, RELATED TO SUCH CLAIM.

Section 7.03 Special Conditions. This Agreement and the Authority's obligation to deliver water to the City as provided herein shall be subject to the following:

(a) All present and future valid laws, orders, rules and regulations of the United States of America, the State, and any regulatory body having jurisdiction (and the parties agree to cooperate to obtain compliancy therewith);

(b) The Plant Cost Sharing Agreement, as it may be amended or supplemented from time to time with the written approval of the City.

(c) The SETL Cost Sharing Agreement, as it may be amended or supplemented from time to time with the written approval of the City.

(d) The Capacity Reservation Contract, as it may be amended or supplemented from time to time.

(e) The ability of the Authority to market any Bonds authorized hereunder on acceptable terms.

Section 7.04 Effective Date; Term. This Agreement shall be in full force and effect from the date of the last party executes this Agreement and, unless sooner terminated by agreement, shall remain in force until the later of termination of the Plant Cost Sharing Agreement or the SETL Cost Sharing Agreement or the Capacity Reservation Contract; provided that the obligations of the City to make payments of Fixed Charges hereunder shall be, and the same are hereby agreed to be, unconditional under any circumstances, including termination, so long as any Bonds remain outstanding and unpaid as to either principal or interest, and provided further that the Authority shall not agree to a termination of the Plant Cost Sharing Agreement or the SETL Cost Sharing

Agreement or the Capacity Reservation Contract without the City's prior written consent to such termination.

Section 7.05 Addresses and Notice. Unless otherwise provided in this Agreement, any notice, communication, request, reply or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made, or accepted by either party to the other must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated in this Agreement, from and after the expiration of three (3) calendar days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:

If to the City, to:	City of League City 300 West Walker League City, Texas 77573 Attn: Mayor
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If to the Authority, to:	Gulf Coast Water Authority 3630 Highway 1765 Texas City, Texas 77591 Attn: General Manager
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The parties shall have the right from time to time and at any time to change their respective addresses and shall have the right to specify as its address any other address by at least fifteen (15) calendar days' prior written notice to the other party.

Section 7.06 Modification. This Agreement shall be subject to change or modification at any time, but only with the mutual consent of the governing bodies of each of the parties hereto.

Section 7.07 Assignability. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, but this Agreement shall not be assignable by the Authority without the prior written consent of the City and shall not be assignable by the City without the prior written consent of the Authority. Whenever reference is made in this Agreement to either of the parties hereto, such reference shall be deemed to include, wherever applicable, a reference to the permitted successors and assigns of such parties.

Section 7.08 Severability. The provisions of this Agreement are severable, and if any provision or part of this 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 Agreement and the application of such provision or part of this Agreement to other persons or circumstances shall not be affected thereby.

Section 7.09 Venue; Choice of Law. This Agreement is made and entered into in Galveston County, Texas, is performable in all particulars in said Galveston County, Texas, shall be construed and enforced in accordance with the laws of the State of Texas and any cause of action hereunder shall be filed and maintained in a court of competent jurisdiction in Galveston County, Texas.

Section 7.10 Condemnation. In case any significant damage to or destruction of any part of the Project occurs or any significant part thereof is taken by eminent domain, the Authority and the City shall comply with the provisions of the applicable Bond Resolution with respect to authorizing refunding bonds or additional bonds.

Section 7.11 Third Party Beneficiary. This Agreement shall be for the sole and exclusive benefit of the Authority, the City and the owners and holders of the Bonds. The Authority is hereby granted the specific right to pledge payments received hereunder in connection with the issuance of the Bonds.

Section 7.12 Captions and Headings. The captions appearing at the first of each numbered article and section in this Agreement are inserted and included solely for convenience and shall never be considered or given any effect in construing this Agreement, or any provision hereof, or in connection with the duties, obligations, or liabilities of the respective parties hereto or in ascertaining intent, if any question of intent should arise.

Section 7.13 Amendment in Full. This Agreement is intended to completely consolidate, amend and restate (i) the Second Amended and Restated Water Supply Contract, dated as of September 15, 2001, between the Authority and the City, as amended by the First Amendment to Second Amended and Restated Water Supply Contract, dated as of June 29, 2007, and as supplemented by the First Supplement to Second Amended and Restated Water Supply Contract, dated as of June 29, 2007, and as supplemented by the Second Supplement to Second Amended and Restated Water Supply Agreement, dated as of September 7, 2015, (ii) the Interlocal Agreement between the City and the Authority, dated July 23, 2013, (iii) the First Amendment to Interlocal Agreement between the City and the Authority, dated January 14, 2014, and (iv) the Interlocal Agreement between the City and the Authority, dated September 20, 2017.

Section 7.14 Entire Agreement. This Agreement constitutes the entire agreement between the parties relative to the subject matter hereof, being the water supplied by Houston through the Plant. There have been and are no agreements, covenants, representations or warranties between the parties other than those expressly stated herein or expressly provided for herein.

Section 7.15 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State.

EXECUTED in multiple counterparts, each of which shall be deemed an original, as of the day and year first above written.

CITY OF LEAGUE CITY, TEXAS

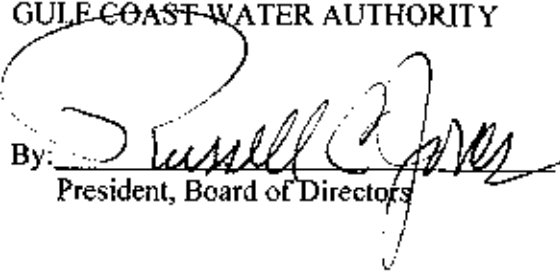
By: _____
Mayor

ATTEST:

City Secretary

(SEAL)

GULF COAST WATER AUTHORITY

By: 
President, Board of Directors

ATTEST:


Asst. Secretary, Board of Directors

Exhibit A
Plant Cost Sharing Agreement

[Attached]

**AMENDED AND RESTATED COST SHARING AGREEMENT
FOR THE SOUTHEAST TRANSMISSION LINE PROJECT**

THIS AMENDED AND RESTATED COST SHARING AGREEMENT FOR THE SOUTHEAST TRANSMISSION LINE PROJECT (this "Agreement") is made by and among BAYBROOK MUNICIPAL UTILITY DISTRICT NO. 1 ("Baybrook MUD 1"), the CITY OF FRIENDSWOOD, TEXAS ("Friendswood"), the CITY OF HOUSTON, TEXAS ("Houston"), the CITY OF PASADENA, TEXAS ("Pasadena"), the CITY OF WEBSTER, TEXAS ("Webster"), CLEAR LAKE CITY WATER AUTHORITY ("CLCWA"), GULF COAST WATER AUTHORITY ("GCWA"), and HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55 ("MUD 55") (each a "Party" and collectively, the "Parties") for the purpose of providing for the design and construction of a new large-diameter water transmission line from the Southeast Water Purification Plant to the Parties' water transmission and distribution systems. For and in consideration of the premises and mutual covenants and agreements contained herein, the Parties agree as follows:

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ARTICLE I RECITALS

- 1.1** The Parties, along with several other entities that are not party to this Agreement, are participants in the Southeast Water Purification Plant, located at 3100 Genoa Red Bluff Road, Houston, Texas 77034 (the "Plant"), which is operated and maintained in accordance with the "Cost Sharing Agreement for the Southeast Water Purification Plant (Restated and Amended)," approved by Houston City Council by Ordinance No. 2001-0417 and countersigned on July 22, 2001 (the "2001 Agreement"), as amended by the "Amendment to the Cost Sharing Agreement for the Southeast Water Purification Plant (Restated and Amended)," approved by Houston City Council by Ordinance No. 07-0927 and countersigned on September 27, 2007 (the "2007 Amendment") (together, the 2001 Agreement and 2007 Amendment are referred to as the "Plant Agreement").
- 1.2** Treated water from the Plant is delivered to Baybrook MUD 1, Friendswood, Houston, Webster, CLCWA, GCWA, and MUD 55 through a 42-inch water transmission line, as described and depicted in Exhibit J to the 2007 Amendment (the "Existing Line"). The Parties desire to replace the Existing Line with a new larger-diameter water transmission line, as described and depicted in Exhibits A-1 through A-5 (the "Southeast Transmission Line"). Baybrook MUD 1, Friendswood, Houston, Webster, CLCWA, GCWA, and MUD 55 entered into the "Replacement Water Capacity and Cost Sharing Agreement – New Galveston Project," approved by the Houston City Council by Ordinance No. 2016-200 (the "Original Agreement"), to design, acquire real property for, and construct the Southeast Transmission Line, formerly referred to as the New Galveston Line (the "Project"). The Original Agreement provides for capacity allocation, cost sharing, and completion of the Project in three phases: (i) Phase 1 – preliminary engineering report; (ii) Phase 2 – final design, real estate acquisition, and bidding and construction contracting; and (iii) Phase 3 – construction. The Original Agreement only addresses the scope and cost of work associated with Phase 1, but contemplates one or more amendments to address the scope and cost of work associated with Phases 2 and 3.

- 1.3 Phase 1 of the Project is complete, and the Parties desire to amend the Original Agreement to address the scope and cost of work associated with Phases 2 and 3.
- 1.4 Pasadena, which was not a party to the Original Agreement but is a participant in the Plant, desires to participate in the Project and become a Party to this Agreement.
- 1.5 GCWA desires to increase its capacity in the transmission line and participation in the Project by an additional 20 MGD.
- 1.6 Accordingly, the Parties are entering into this Agreement, which shall supersede and replace the Original Agreement as provided in Section 11.14, to, among other things: (i) address the scope and cost of work associated with Phases 2 and 3; (ii) add Pasadena as a Party; (iii) adjust capacity allocations and cost sharing to reflect Pasadena's participation and GCWA's increased participation in the Project; and (iv) update the Exhibits.
- 1.7 These Recitals are hereby incorporated into and made a part of this Agreement.

ARTICLE II DEFINITIONS AND EXHIBITS

- 2.1 **Capitalized Terms Defined.** Unless the context provides otherwise, capitalized terms in this Agreement shall have the meanings provided below. Capitalized terms not defined below shall have the meanings given in the 2007 Amendment or the 2001 Agreement.

"2001 Agreement" has the meaning given in Section 1.1.

"2007 Amendment" has the meaning given in Section 1.1.

"Account" means one or more accounts established and controlled by the Managing Participant for the receipt and disbursement of funds contributed by the Parties for payment of Project Costs.

"Additional Funds" means an additional appropriation of funds authorized by a Party's governing body and deposited into the Account to cover Project Costs for Unforeseen Conditions equal to the Party's Cost Share.

"Affected Contracts" has the meaning given in Section 4.10.

"Agreed Upon Procedures Report" or "AUP Report" means an agreed upon procedures report and associated findings to review the accounting for and allocation to the Parties of Project Costs, produced by an independent accounting firm engaged by the Managing Participant under an agreed-upon procedures engagement conducted in accordance with: (i) Article IX of this Agreement; and (ii) the Statements on Standards for Attestation Engagements published by the American Institute of Certified Public Accountants.

"Budget" means the tables set forth in Exhibits C-1 through C-5, which: (i) reflect the estimated Project Costs by Phase and by construction contract; and (ii) will be updated from time to time in accordance with this Agreement.

"Capacity Share" has the meaning given in Section 3.2.

"Cash Call" means any one of a series of demands for funds from a Participant sent by the Project Director to pay for Project Costs in accordance with the requirements set forth in Section 4.4.

"Cash Call Due Date" means the date specified in a Cash Call on which the Parties must deposit cash into the Account.

"Cash Call Schedule" means the chart set forth in Exhibit E, which: (i) details the anticipated Cash Call Due Dates; and (ii) will be updated from time to time by the Project Director as necessary to reflect changes in the Project Schedule or Budget.

"Construction Contractor" means the contractor(s) engaged by the Managing Participant to construct one or more Segments of the Project.

"Construction Costs" means all costs associated with Construction Work, including, without limitation, all reasonable costs for labor, equipment, materials, electricity, fuel, construction management, inspections, materials testing, and related Cost Recovery Amounts.

"Construction Manager" means the professional service provider engaged by the Managing Participant to manage the Work of each Construction Contractor.

"Construction Work" means all Work required to construct the Project that is performed by or under the direction of the Construction Contractor.

"Consultant" means the professional service provider(s) engaged by the Managing Participant to assist in the planning, design, Project Property acquisition, and other Work for the Project.

"Contingencies" means an allowance to fund unforeseen changes in or additions to the Work.

"Cost Recovery Amounts" means the portion of the costs of the Managing Participant's employees' salaries, associated benefits, overhead, and itemized costs paid from the cost recovery fund (Houston's Fund 1001) that are allocated and attributable to the Project as shown in Exhibits C-1 through C-5.

"Cost Share" has the meaning given in Section 4.1.

"Cure Meeting" has the meaning given in Section 4.8.1.

"Cure Plan" has the meaning given in Section 4.8.4.

"Day" means calendar day.

"Delivery Date" means the date on which the Project Director sends written notice to a Participant that the Project is capable of delivering the Participant's Reserved Capacity.

"Design Engineer" means the engineering firm(s) engaged by the Managing Participant to provide engineering design and construction oversight for the Project, or any portion thereof.

"Direct Employee" has the meaning given in Section 9.2.

"Director" means the Director of Houston Public Works, or his or her designee.

"Effective Date" means the date on which the City of Houston Controller countersigns this Agreement and this Agreement becomes effective and binding on the Parties.

"Efforts to Cure" has the meaning given in Section 4.8.1.

"Engineering Costs" means all costs associated with Engineering Work, including, without limitation, all reasonable costs for the Preliminary Engineering Report, final design, geotechnical investigations, inspections, surveys, estimates, line testing, materials testing, plans, specifications, investigations, permitting and regulatory review, and related Cost Recovery Amounts.

"Engineering Work" means all Work required during Phase 1, 2, and 3 to design, analyze, and test the Project that is performed by or under the direction of a professional engineer.

"Excess Reservation" has the meaning given in Section 4.10.

"Exhaustion Notice" has the meaning given in Section 4.9.1.

"Existing Line" has the meaning given in Section 1.2.

"FAR" has the meaning given in Section 9.3.1.

"Final Statement" has the meaning given in Section 9.7.

"Finance Director" means the Director of the City of Houston Department of Finance, or his or her designee.

"Force Majeure" means: (i) fires; interruption of utility services; breakage of machinery, pipelines, or canals; epidemics in the Houston Metropolitan Statistical Area; floods, hurricanes, tornadoes, ice storms, and other natural disasters; explosions; war; acts of terrorism against a Party; riots; strikes; court orders; and the acts of superior governmental or military authority; that (ii) the affected Party is unable to prevent by the exercise of reasonable diligence. The term does not include any changes in general economic conditions such as inflation, interest rates, economic downturn, or other factors of general application, or an event that merely makes performance more difficult, expensive, or impractical.

"Interest Rate" means the Managing Participant's actual interest earning rate for its General Investment Pool. For reference purposes only, the Managing Participant publishes its quarterly interest earning rate for its General Investment Pool in the City of Houston Controller's Quarterly Investment Report.

"Managing Participant" means Houston.

"MGD" means million(s) of gallons per day of water.

"Non-Approval" has the meaning given in Section 4.7.

"Non-Payment" has the meaning given in Section 4.4.5.

"Non-Project Items" has the meaning given in Section 7.3.3.

"Notice of Upcoming Cash Call" has the meaning given in Section 4.4.1.

"Noticed Participant" has the meaning given in Section 4.8.1.

"Noticed Representative" has the meaning given in Section 4.8.1.

"Original Agreement" has the meaning given in Section 1.2.

"Overhead" has the meaning given in Section 9.2.

"Paid Share" means the share of Project Costs paid by a Party, which limits the amount of Reserved Capacity that Party may receive. Paid Share excludes and may be reduced by interest due under Section 4.5 and any Project Costs related to modifying the Project under Section 4.10

"Participant(s)" means, individually or collectively, Baybrook MUD 1, Friendswood, Pasadena, Webster, CLCWA, GCWA, and MUD 55.

"Participation Table" means the tables set forth in Exhibits B-1 through B-5, which list the Parties' Reserved Capacity and Capacity Shares in the Southeast Transmission Line.

"Phase" means a discrete stage of the Project.

"Phase 1" means all Work related to the Preliminary Engineering Report.

"Phase 2" means all Work related to the Final Design, Real Estate Acquisition, and bidding and contracting for Construction Work.

"Phase 3" means all Work related to construction of the Project, including Construction Work and associated Engineering Work.

"Phase 1 Financial Accounting Report" or "Phase 1 FAR" has the meaning given in Section 9.3.1.

"Phase 2 Financial Accounting Report" or "Phase 2 FAR" has the meaning given in Section 9.4.1.

"Plant" has the meaning given in Section 1.1.

"Plant Agreement" has the meaning given in Section 1.1.

"Point(s) of Delivery" means the output flange(s) on or the welded joint to the connection on the Project that will serve a Party, as more particularly identified and described in Exhibits A-1 through A-5, or such other location(s) on which the Project Director and the applicable Representative may agree in writing.

"Point(s) of Measurement" means the location of the meter at which the Managing Participant shall measure the Participant's consumption of water from the Project. The Point(s) of Measurement may be at different locations than the Point(s) of Delivery, or at such other location(s) on which the Project Director and the applicable Representative may agree in writing.

"Preliminary Engineering Report" means a report prepared by the Design Engineer containing: (i) surveys, preliminary plans and specifications, and proposed Project Property; (ii) estimated budgets and identified problems for the preliminary plans and specifications and Project Property, including alternative solutions; (iii) possible alternate bid Work Items recommended by the Design Engineer and the Project Director; and (iv) recommendations on whether and how to divide the Work into separate construction contracts.

"Project" has the meaning given in Section 1.2.

"Project Costs" means all costs to complete the Project, including, without limitation, costs for Engineering Work, Real Estate Work, bidding and construction contracting,

Construction Work, and Contingencies, and excluding any of such costs that are incurred exclusively for the benefit of one Party with that Party's prior written approval.

"Project Director" means the individual designated by the Director and authorized to act on behalf of the Managing Participant in the manner described in this Agreement.

"Project Property" means all easements, rights-of-way, and other real property interests necessary or desirable to construct, operate, and maintain the Project.

"Project Schedule" means the chart set forth in Exhibit D, which: (i) details the key events related to the Work, along with respective dates; and (ii) will be updated from time to time in accordance with this Agreement.

"Real Estate Costs" means all costs associated with Real Estate Work, including, without limitation, purchase costs, title documents and services, title policies, due diligence, surveying, closing costs, environmental mitigation, legal costs, including court costs and fees, and permitting necessary for acquisition or environmental mitigation.

"Real Estate Work" means all Work required to secure Project Property, whether by purchase or by condemnation.

"Representative" means the individual designated by and authorized to act on behalf of a Participant in the manner described in this Agreement.

"Reserved Capacity" means that portion of the Transmission Capacity for each Segment reserved to a Party, expressed in peak MGD, based on its Paid Share.

"Segment" means one of the discrete portions of the Southeast Transmission Line depicted on Exhibits A-1 through A-5, as such discrete portion may be altered as agreed upon in writing by the Project Director and the Representatives from time to time during the Project. Each Segment represents a portion of the Project where there is a change in flow due to a change in demand. Segments have been grouped together under separate construction contracts to facilitate construction and to fairly apportion Project Costs among the Parties.

"Southeast Transmission Line" has the meaning given in Section 1.2.

"Supplementary Information" has the meaning given in Section 7.3.2.

"TCEQ" means the Texas Commission on Environmental Quality, or any successor agency.

"Technical Consultant" means the engineering firm engaged by the Managing Participant to oversee the Work of each Design Engineer.

“Transmission Capacity” means the water transmission capacity of all Segments to be constructed under a single construction contract as set forth in Exhibits B-1 through B-5. Without the need to amend this Agreement, Exhibits B-1 through B-5 shall be updated, or supplemented, from time-to-time if the Reserved Capacity of any Participant changes pursuant to this Agreement. Any such updates or supplements shall be prepared and dated by the Managing Participant and shall be attached to this Agreement to replace and supersede the prior version. No additional action shall be needed by any Participant.

“True-up” means the process for ensuring that each Party pays its Cost Share.

“True-up Statement” has the meaning given in Section 9.5.3.

“Unforeseen Condition” means an unanticipated field condition, regulatory requirement, or similar contingency, including Force Majeure, which the Project Director reasonably believes may require a revision to the Budget, the Project Schedule, or both.

“Work” means any of the labor, materials, equipment, administration, and other similar efforts and items necessary or beneficial for the completion of the Project.

“WBS No.” means Work Breakdown Structure Number and refers to the construction contracts under which the Project will be completed. Multiple Segments shall be constructed under each WBS No., as further described in Exhibits B-1 through B-5.

“Work Item” means a discrete portion of the Work.

“Work Progress Report” has the meaning given in Section 5.3.

- 2.2 Exhibits.** The exhibits listed in the Table of Contents are hereby incorporated into and made a part of this Agreement.

ARTICLE III OWNERSHIP AND CAPACITY SHARES

- 3.1 Ownership of Southeast Transmission Line.** The Managing Participant shall own and hold legal title to the Southeast Transmission Line; provided, however, that the Parties shall each have an undivided equitable and beneficial interest in the use and benefit of Transmission Capacity in accordance with their respective Capacity Shares, defined in Section 3.2 below.
- 3.2 Calculation of Capacity Shares.** A Party’s pro rata share of Transmission Capacity in a Segment (**“Capacity Share”**), expressed as a percentage, shall be determined by the following formula:

$$A/B = C$$

Where:

- A is the Party's Reserved Capacity in a Segment (expressed in MGD).
- B is the Transmission Capacity of that Segment (expressed in MGD).
- C is the Party's Capacity Share of that Segment (expressed as a percentage).

3.3 Participation Table.

3.3.1 The Participation Table shall list each Party's Reserved Capacity and Capacity Share for each Segment.

3.3.2 The Project Director shall update the Participation Table within 60 Days of the date on which the Houston City Council adopts a Cure Plan under Section 4.8 or exercises any option under Section 4.10.

3.4 No Additional Capacity or Participants. This Agreement allocates 100% of the capacity of the Project. Subject to Sections 4.8 and 4.10, no additional participants or capacity allocations shall be allowed without amendment to this Agreement approved by the governing bodies of all Parties.

**ARTICLE IV
PROJECT COSTS AND COST SHARES**

4.1 Calculation of Cost Share. A Party's pro rata share of Project Costs ("Cost Share") shall be determined as follows:

4.1.1 For Project Costs incurred during Phase I, the Parties shall pay the following:

Baybrook MUD 1	2.27%
Friendswood	4.65%
Houston	12.85%
Pasadena	0.05%
Webster	6.70%
CLCWA	8.72%
GCWA	59.82%
MUD 55	4.94%

Project Costs for Phase I: 100%

As of the Effective Date of this Agreement, Project Costs for Phase I have been incurred, and the Parties have paid the following amounts:

Baybrook MUD 1	\$36,248.00
Friendswood	\$97,869.60

Houston	\$231,987.20
Pasadena	\$0
Webster	\$121,430.80
CLCWA	\$202,988.80
GCWA	\$1,063,878.80
MUD 55	\$57,996.80

The Parties agree that the Project Costs for Phase 1 shall be reallocated among the Parties to reflect Pasadena's participation in the Project and GCWA's increased participation in the Project. Said reallocation is reflected in the percentages set forth in this Section 4.1.1 and shall be accomplished through a True-up made in accordance with Section 9.3.

- 4.1.2 For Project Costs incurred during Phases 2 and 3, a Party's Cost Share shall be determined by the following formula:

$$D \times E = F$$

Where:

D is the Party's Capacity Share for a Segment (expressed as a percentage).

E is the total Project Costs for that Segment (expressed in dollars).

F is the Party's Cost Share for that Segment (expressed in dollars).

4.2 Duty to Pay Cost Share.

- 4.2.1 Subject to the limitation set forth in Subsection 4.2.3, each Party represents and certifies to the other Parties that it has or will have on hand and lawfully available sufficient funds to pay its Cost Share at the time payment is due under this Agreement.

- 4.2.2 In order to receive its Reserved Capacity, each Party agrees to pay its Cost Share into the Account, through a series of Cash Calls described in Section 4.4, no later than the applicable Cash Call Due Date.

- 4.2.3 To the extent this Agreement contemplates future financial obligations of any Party, said obligations shall be subject to appropriation by its respective governing body as required by law.

- 4.3 **Budget.** The Project Director has provided estimates of the Project Costs, as well as the manner of calculation of such costs and the Parties' respective Cost Shares of such costs, all as more specifically set forth on Exhibit C. The Project Director shall cause an

updated Budget to be prepared regularly (but not less than quarterly) and provided to the Participants throughout the Project.

4.4 Cash Calls.

4.4.1 The Project Director shall provide the Participants with written notice (the "Notice of Upcoming Cash Call") of: (i) the estimated Project Costs and Work Items to be paid with proceeds of any upcoming Cash Call; (ii) the estimated dollar amount due from each Party pursuant to the upcoming Cash Call, and the calculation thereof; and (iii) the estimated Cash Call Due Date. The Cash Call Due Date shall be no earlier than 60 Days after the date the Project Director sends the Notice of Upcoming Cash Call to the Participants. The Cash Call Due Date for all other Cash Calls shall be no earlier than 60 Days after the date the Project Director sends the Notice of Upcoming Cash Call to the Participants.

4.4.2 Except as may be agreed to in writing otherwise by the Project Director and the Representatives, each Cash Call Due Date shall be: (i) for each Participant, no earlier than the later of 60 Days after the date the Participant receives that particular Cash Call or the estimated Cash Call Due Date provided in the Notice of Upcoming Cash Call; and (ii) for the Managing Participant, 60 Days after the latest Participant's Cash Call Due Date. In no event shall a Cash Call Due Date be more than 18 months after the date the Project Director sends the Notice of Upcoming Cash Call to the Participants.

4.4.3 If a Participant pays the amount stated in the Cash Call after the Cash Call Due Date, the Participant shall pay interest accruing on the dates and at the rate set forth in Chapter 2251 of the Texas Government Code, as amended from time-to-time.

4.4.4 Any interest paid by a Participant under this Section shall not increase the Participant's Paid Share or Reserved Capacity.

4.4.5 If a Participant does not pay the amount stated in the Cash Call by the Cash Call Due Date ("Non-Payment"), the Project Director shall send the Participant written notice of Non-Payment and initiate Efforts to Cure under Section 4.8.

4.5 **Account.** The Project Director may spend funds in the Account for Project Costs associated with Work Items 30 Days after the Project Director makes a Cash Call for Project Costs associated with such Work Items. For the proportionate benefit of the Parties, the Finance Director shall be authorized to invest the funds on hand in the Account in the manner permitted by Texas law. The Parties may advance funds into the Account and accrue interest on unspent funds at the Interest Rate. In order to uphold applicable bond covenants and avoid tax liability, the Finance Director shall use current, applicable government accounting methods used by the Managing Participant. The Project Director shall calculate the accrued interest on the funds, and distribute the remaining proceeds from such interest earned, if any, as part of the True-up.

- 4.6 **Additional Funds.** If, due to an Unforeseen Condition, the Project Director reasonably believes the amounts in the Account are insufficient to pay the Project Costs and Additional Funds will be necessary, the Project Director shall notify the Participants of the Unforeseen Condition and issue a Cash Call in accordance with Section 4.4 to request Additional Funds.
- 4.7 **Governing Body Approval Required.** If the governing body of a Party fails to approve any item requiring approval in order to perform that Party's obligations under this Agreement ("Non-Approval"), that Party shall immediately send written notice of Non-Approval to all other Parties, and the Parties shall engage in Efforts to Cure under Section 4.8.
- 4.8 **Efforts to Cure; Cure Plan.**
- 4.8.1 In the event of Non-Payment or Non-Approval by a Participant (the "Noticed Participant"), the Project Director shall provide written notice of the Non-Payment or Non-Approval to the Representative for said Participant (the "Noticed Representative") that states: (i) the event of Non-Payment or Non-Approval; and (ii) the date of a meeting (the "Cure Meeting") to negotiate in good faith to cure the Non-Payment or Non-Approval (the "Efforts to Cure"). The Cure Meeting shall be held within 60 Days of the notice of the Non-Payment or Non-Approval.
- 4.8.2 The Project Director shall notify the other Representatives of the Cure Meeting and invite them to attend and participate.
- 4.8.3 The Project Director shall accurately record the discussion that takes place at the Cure Meeting and any terms that the Parties agree to in principle.
- 4.8.4 Using the notes taken at the Cure Meeting, the Project Director shall send revised documents, such as a revised Project Schedule, Budget, or solicitation, incorporating the Parties' previous Efforts to Cure (the "Cure Plan"). The Project Director shall send the draft Cure Plan to the Noticed Representative for comments and approval, and to the other Representatives for notice and comments.
- 4.8.5 If the Noticed Representative returns comments on the Cure Plan within 30 Days, the Project Director shall send a revised Cure Plan to all Parties to address the Noticed Representative's comments and any comments from the other Representatives.
- 4.8.6 If the Noticed Representative and Project Director agree to a Cure Plan, they shall submit the Cure Plan to the other Representatives within 60 Days of reaching the agreement. If necessary, the Noticed Representative and the Project Director shall submit the Cure Plan to the governing bodies of all Parties to seek an amendment to this Agreement.

4.9 No Cure Plan; Exhaustion of Efforts to Cure.

- 4.9.1** If the Project Director and Noticed Representative cannot agree to a Cure Plan, then the Project Director shall send notice to the Noticed Participant and the other Participants that the Noticed Participant and the Managing Participant have exhausted Efforts to Cure (the "Exhaustion Notice").
- 4.9.2** Following issuance of the Exhaustion Notice, the Project Director shall send the Participants a report showing the estimated Paid Share of any Party not meeting its Cost Share, subject to the AUP Report under Section 9.5 and Final Statement under Section 9.7, and the Parties shall amend this Agreement as soon as practicable.
- 4.9.3** Following issuance of the Exhaustion Notice, and subject to a Final Statement reflecting the Noticed Participant's Paid Share, the Noticed Participant and Noticed Representative shall have no further rights to review, approve, or comment under this Agreement as to the matters at issue in the Exhaustion Notice.

- 4.10 Managing Participant's Options.** The Managing Participant, with the approval of the Houston City Council and the consent of the number of Participants sufficient to constitute more than 50% of the remaining Cost Shares of the construction contract, identified by WBS No., affected by the Noticed Participant's Non-Payment or Non-Approval (the "Affected Contracts") (including Houston's Cost Share but excluding the Noticed Participant's Cost Share), shall have the right to take one or more of the following actions: (i) proceed with any Work associated with the Affected Contract with the other Participants without review or comment from the Noticed Participant; provided, however, that the Project Director shall continue to send the Noticed Participant all Project Schedules, Budgets, and Work Progress Reports sent to the other Participants under this Agreement; (ii) assume that portion of the Noticed Participant's Reserved Capacity in excess of the Noticed Participant's Paid Share (the "Excess Reservation") upon payment of the Noticed Participant's Cost Share for the Excess Reservation, with the right to retain or sell at cost all or a portion of the Excess Reservation to another Party; (iii) modify the Project to reduce the Transmission Capacity to eliminate the Excess Reservation, in which case the Noticed Participant shall be liable for any Project Costs necessary to modify the Project to eliminate the Excess Reservation; and/or (iv) assign the Excess Reservation to one or more of the other Parties upon payment of the Noticed Participant's Cost Share for the Excess Reservation.

**ARTICLE V
PROJECT MANAGEMENT AND SCHEDULE**

- 5.1 Project Management.** The Managing Participant, through the Project Director, shall manage the Project in accordance with the Budget, Project Schedule, and applicable laws and regulations. The Project Director shall provide the Participants an opportunity to review and comment on drafts of requests for proposals and bid advertisements for

selection of the Design Engineer, Construction Contractor, and Consultant. The Managing Participant shall select and enter into contracts with one or more Design Engineer, Construction Contractor, and Consultant to complete the Project. The Managing Participant's responsibility to manage the Project pursuant to this Agreement shall not change the nature of the relationship established in other contracts between the Managing Participant and the Design Engineer, Construction Contractor, or Consultant.

- 5.2 **Project Schedule.** The Project Director shall maintain the Project Schedule. Any revisions to the Project Schedule shall be made on a quarterly basis and distributed to the Representatives.
- 5.3 **Work Progress Report.** On a quarterly basis, the Project Director shall update the Representatives concerning: (i) the Project Schedule and progress of the Work; (ii) any Unforeseen Condition; (iii) any change orders; (iv) any liens or claims related to the Work; and (v) the status of the Budget, the Account, and processing of invoices related to the Work (the "Work Progress Report").
- 5.4 **Bonds and Insurance.** The Managing Participant shall require the Design Engineer, Construction Contractor, and Consultants to provide adequate insurance coverage and bonds, if bonds are required, to meet applicable legal requirements and protect the Parties from reasonably foreseeable risks associated with the Work. The Project Director shall have sole discretion as to whether to make a claim on an insurance policy or bond in connection with the Project. If the Project Director makes a claim and funds remain after payments to any proper third-party claimant, the Project Director shall deposit proceeds from the claim or bond into the Account and may spend such funds on the Project Costs or distribute any refund as part of a True-up.
- 5.5 **Work Access.** The Project Director shall provide the Representatives reasonable access to the Work documents and Work. The Project Director shall have sole control over the actions of the Design Engineer, Construction Contractor, and Consultant. The Project Director shall have sole but reasonable discretion to decide what may significantly disrupt or delay the Work. Such Work access shall be during normal business hours and subject to such reasonable safety rules and procedures as the Project Director may impose.
- 5.6 **Work Review.** The Project Director shall investigate any comments on the work submittals made by a Representative and take such corrective actions as may be necessary and proper as determined by the Project Director.
- 5.7 **No Guarantee.** The Managing Participant's undertaking to manage the Project shall not be deemed or construed as a guarantee of the Project Costs or of the timely or successful completion of the Project in accordance with the Project Schedule, Budget, and plans and specifications; provided, however, that the Managing Participant agrees to use reasonable efforts to accomplish the Project within the Budget and Project Schedule. The Managing Participant shall not be liable for failure to complete the Project for the amounts provided

in the Budget or by the dates provided in the Project Schedule so long as reasonable efforts are made to accomplish the Project.

5.8 Representatives.

- 5.8.1** Each Participant shall designate an individual to serve as its Representative and an individual to serve as an alternate if the designated Representative is unavailable to perform as required in this Agreement. The Participant shall notify the Project Director of such designations and provide contact information for both individuals.
- 5.8.2** Unless otherwise provided in this Agreement or required by law, each Representative shall provide all necessary review and comments on behalf of its Participant for revised Project Schedules, Budgets, Participation Tables, Project Property and any other Work Item as requested by the Project Director.
- 5.8.3** The Representative shall respond in writing to all requests for review and comment from the Project Director under this section, and the Representative shall not unreasonably withhold or delay such review and comments.
- 5.8.4** Unless otherwise specified in this Agreement or determined by the Project Director, 30 Days shall be deemed a reasonable period of time for response. A Representative shall be deemed to have no comment on any matter for which the Representative fails to provide a written response by the later of: (i) 30 Days of the date the Managing Participant sends a request for review and comment, (ii) the time period provided by the Director to the Representatives with the request for review and comment, or (iii) as otherwise provided in this Agreement.
- 5.8.5** Notwithstanding anything in this Agreement to the contrary, a Representative shall not be entitled to review, comment on, or approve or reject any matter concerning a Segment in which its Participant does not have Reserved Capacity.

**ARTICLE VI
PHASE 1**

- 6.1 Preliminary Engineering Report.** The Parties acknowledge that, in compliance with the Original Agreement, the Managing Participant engaged a Design Engineer to prepare a Preliminary Engineering Report for the Project, provided the Representatives with copies of the Preliminary Engineering Report for review and comment, and received comments from the Representatives in connection with the review and approval of the Preliminary Engineering Report.

**ARTICLE VII
PHASE 2**

- 7.1 Final Design.**

- 7.1.1 In accordance with applicable law, the Managing Participant shall engage one or more Design Engineers to design one or more Segments of the Project. Upon procuring the services of such firm, the Project Director shall provide the Representatives with notice of the Managing Participant's intent to engage such firm, which notice shall include: (i) the estimated Project Costs included in such engineering contract; and (ii) the Parties' respective Cost Shares of same.
- 7.1.2 The Managing Participant shall engage a Technical Consultant to oversee the work of the Design Engineers. Upon procuring the services of such firm, the Project Director shall provide the Representatives with notice of the Managing Participant's intent to engage such firm, which notice shall include: (i) the estimated Project Costs included in such consulting contract; and (ii) the Parties' respective Cost Shares of same.
- 7.1.3 Except as may otherwise be agreed upon by the Project Director and the Representatives, upon completion of the 60%, 90%, and final plans and specifications for the Project, the Project Director shall provide the Representatives with copies of the plans and specifications, and any addenda or supplements thereto, for review and comment. The Representatives shall provide their comments to the Project Director within 30 Days of receipt of the 60% and 90% plans, and within 10 Days of receipt of the final plans and any addenda. Each Representative, contemporaneously with providing written comments, if any, to the Project Director pursuant to this section, shall provide a copy of its comments to the other Representatives. If requested by a Representative, the Project Director shall schedule a meeting with the Representatives to review and discuss such comments. After such meeting, the Project Director shall cause the Parties' comments to be integrated and included on such plans and specifications where such integration and inclusion are practical, as reasonably determined by the Project Director.
- 7.2 **Real Estate Acquisition.** The Managing Participant shall be responsible for the acquisition of all Project Property. If necessary, the Managing Participant shall condemn any land required for rights-of-way, sites, and easements for the Project.
- 7.3 **Bidding and Contracting for Construction Work.**
- 7.3.1 Subject to the requirements of Section 7.3.2 and applicable laws regarding procurement, the Managing Participant shall solicit bids and enter into one or more contracts for construction of the Project.
- 7.3.2 Prior to advertising the first invitation to bid, the Managing Participant shall send the Representatives the following information: (i) the estimated Project Costs included in such construction contract; (ii) the Parties' respective Cost Shares of same; (iii) the then-current balance of the Account and the allocation of such balance to each Party (collectively, the "Supplementary Information").

- 7.3.3 The Project Director may, in his or her reasonable discretion, include in any construction contract one or more work items to be performed for the benefit of less than all of the Parties, but such items are not part of the Project and the costs related to same are not Project Costs ("Non-Project Items"). If the Managing Participant includes any Non-Project Items in a construction contract at the written request and for the benefit of a Participant, the Participant shall be obligated to pay for its share of the costs of same in proportion to the Participant's benefit resulting therefrom and in accordance with this Agreement as though such costs were Project Costs. If any Non-Project Items are included in a construction contract and the Participant did not request such items in writing, the Managing Participant shall provide written notice to the Participant of its intent to include the Non-Project Items in a construction contract and the estimated costs of same, and the Participant shall not be obligated to pay for any costs related to same. The Managing Participant shall list any Non-Project Items as separate line items in the bid documents for the construction contract in which Non-Project Items are included. In addition, the Managing Participant shall be responsible for sending invoicing for and executing work on Non-Project Items as if they were part of the Project.

ARTICLE VIII

PHASE 3

8.1 Construction Contracts.

- 8.1.1 The Project shall be constructed pursuant to the construction contracts identified by WBS No. referenced in Exhibits B-1 through B-5, to be entered into by the Managing Participant at such time as it is determined reasonably necessary by the Managing Participant to achieve completion of the Project in accordance with the Project Schedule.
- 8.1.2 The Managing Participant shall engage a Construction Manager to manage the Construction Work. Upon procuring the services of such firm, the Project Director shall provide the Representatives with notice of the Managing Participant's intent to engage such firm, which notice shall include: (i) the estimated Project Costs included in such contract; and (ii) the Parties' respective Cost Shares of same.
- 8.1.3 The Managing Participant, acting through the Construction Manager, shall administer the construction contract(s) in accordance with applicable governmental rules and regulations. The Construction Manager will monitor, or will cause to be monitored, the construction for general conformation with the plans and specifications and to ensure that the Work is performed in a good and workmanlike manner and generally in accordance with all applicable rules, regulations, and requirements of the governmental entities having jurisdiction

over the construction of the Project. The Representatives shall be invited to monthly construction progress meetings to keep current on the Project and offer comments.

- 8.2 **Work Change Directives.** The Project Director is authorized, without prior review and comment by the Representatives, to issue a work change directive; provided, however, that the Project Director shall notify the Representatives of the work change directive as soon as practicable.
- 8.3 **Change Orders.** The Project Director shall submit any change order that increases a particular construction contract price by more than 5% to the Representatives for review and comment. If a Representative does not make written objection within 5 Days after receipt of the change order, the Managing Participant may assume the Participant has no comments on the change order; provided, however, that additional time for review and comment may be granted by the Managing Participant to the Participant upon the Participant's request if such additional time will not adversely affect the Project Schedule or any timeline under the construction contract. If an objection is made by a Participant, the Managing Participant shall reasonably consider the objection and use good faith efforts to address it where practical.
- 8.4 **Site Visits and Reports.** The Project Director shall provide the applicable Representatives with notice of and an opportunity to participate in any inspection and walk-through, including participation in the development of final punch lists and final acceptance.
- 8.5 **Delivery Date.** The Project Director shall send written notice to the Parties when the Project is capable of delivering the Party's Reserved Capacity.

ARTICLE IX PROJECT ACCOUNTING AND FINAL STATEMENT

- 9.1 **Payment for Work.** As the Project Director receives invoices for the Work from the Design Engineer, Construction Contractor, or Consultants, the Project Director shall review and approve, disapprove, or modify such invoices and shall be authorized to draw upon the funds in the Account, in accordance with the Project Schedule and Budget, for payment of the same. The Project Director shall include a summary of this information to the Representatives in the Work Progress Reports.
- 9.2 **Cost Recovery Amounts.** Cost Recovery Amounts shall include a portion of the salary and associated benefits for each of the Managing Participant's employees who track their hours worked on the Project (each a "Direct Employee"), plus a portion of the costs in the Managing Participant's Fund 1001 that are not associated with salaries and benefits for Direct Employees ("Overhead"), both of which shall be calculated as described in Exhibit C.

9.3 Phase 1 Financial Accounting Report.

9.3.1 Within 90 Days of the Effective Date of this Agreement, the Managing Participant shall initiate the preparation of a Financial Accounting Report ("FAR") for Phase 1 (the "Phase 1 FAR") in order to verify that each Party has paid its appropriate share of Project Costs for Phase 1. The Phase 1 FAR shall also verify that the Managing Participant used the funds paid by the Parties under Section 4.5 in accordance with such section. The Phase 1 FAR shall be prepared in accordance with the accounting procedures to be agreed upon by the Project Director and the Representatives and shall take into account all Project Costs for Phase 1, each Party's Cost Share of those costs, and any interest accrued.

9.3.2 The Managing Participant shall cause the Phase 1 FAR to be completed within 120 Days after it is initiated. As soon as the Phase 1 FAR has been completed, the Project Director shall submit a copy of the Phase 1 FAR to the Representatives for review. The Representatives shall have 60 Days to review the Phase 1 FAR and to provide comments on same to the Managing Participant. The Managing Participant shall address the Participants' comments and approve the Phase 1 FAR within 60 Days of date on which the Participants' comments are due unless the Representatives and the Project Director agree otherwise. Notwithstanding the foregoing, the Project Director and the Representatives may agree in writing to vary the aforementioned schedule for completion of the Phase 1 FAR.

9.3.3 In accordance with the Phase 1 FAR, the Parties agree to "true-up" the payments for Phase 1 such that if any Party has underpaid its Cost Share of Project Costs for Phase 1, the Managing Participant will debit the amount of such underpayment from that Party's allocation of the balance in the Account. Conversely, if any Party has overpaid any such costs according to the Phase 1 FAR, the Managing Participant will credit the amount of such overpayment to that Party's allocation of the balance in the Account.

9.4 Phase 2 Financial Accounting Report.

9.4.1 Within 90 Days of the date on which Phase 2 is completed, the Managing Participant shall initiate the preparation of an FAR for Phase 2 (the "Phase 2 FAR") in order to verify that each Party has paid its appropriate share of Project Costs for Phase 2. The Phase 2 FAR shall also verify that the Managing Participant used the funds paid by the Parties under Section 4.5 in accordance with such section. The Phase 2 FAR shall be prepared in accordance with the accounting procedures to be agreed upon by the Project Director and the Representatives and shall take into account all Project Costs for Phase 2, each Party's Cost Share of those costs, and any interest accrued.

9.4.2 The Managing Participant shall cause the Phase 2 FAR to be completed within

120 Days after it is initiated. As soon as the Phase 2 FAR has been completed, the Project Director shall submit a copy of such Phase 2 FAR to the Representatives for review. The Representatives shall have 60 Days to review the Phase 2 FAR and to provide comments on same to the Managing Participant. The Managing Participant shall address the Participants' comments and approve the Phase 2 FAR within 60 Days of date on which the Participants' comments are due unless the Representatives and the Project Director agree otherwise. Notwithstanding the foregoing, the Project Director and the Representatives may agree in writing to vary the aforementioned schedule for completion of the Phase 2 FAR.

- 9.4.3 In accordance with the Phase 2 FAR, the Parties agree to "true-up" the payments for Phase 2 such that if any Party has underpaid its Cost Share of Project Costs for Phase 2, the Managing Participant will debit the amount of such underpayment from that Party's allocation of the balance in the Account. Conversely, if any Party has overpaid any such costs according to the Phase 2 FAR, the Managing Participant will credit the amount of such overpayment to that Party's allocation of the balance in the Account.

9.5 Agreed Upon Procedures Report.

- 9.5.1 Within 90 Days of the date on which the Managing Participant's issues a certificate of final completion for the last Segment of Phase 3, the Managing Participant shall initiate the preparation of an Agreed Upon Procedures Report (the "AUP Report") in order to verify: (i) that each Party has paid its appropriate share of Project Costs for Phase 3; (ii) debits made from or credits issued to the Account to any Party pursuant to Sections 9.3 and 9.4; (iii) the allocations among the Parties of the balance remaining in the Account; and (iv) that the Managing Participant used the funds paid by the Parties under Section 4.5 in accordance with such section. The Managing Participant shall engage an independent certified public accounting firm, with consent of the Representatives, to conduct the AUP Report. The AUP Report shall be prepared in accordance with the accounting procedures to be agreed upon by the Project Director and the Representatives and shall take into account all Project Costs for Phase 3, each Party's Cost Share of those costs, and any interest accrued.
- 9.5.2 The Managing Participant shall cause the AUP Report to be completed within 120 Days after it is initiated. As soon as the AUP Report has been completed, the Project Director shall submit a copy of such AUP Report to the Representatives for review. The Representatives shall have 60 Days to review the AUP Report and to provide comments on same to the Managing Participant. The Managing Participant shall address the Participants' comments and approve the AUP Report within 60 Days of the date on which the Participants' comments are due unless the Representatives and the Project Director agree otherwise. Notwithstanding the foregoing, the Project Director and the Representatives may

agree in writing to vary the aforementioned schedule for completion of the AUP Report.

- 9.5.3 In accordance with the AUP Report, the Parties agree to "true-up" the payments for the Project. Upon the Project Within 60 days of the Director's approval of the AUP Report, the Project Director shall issue each Participant either: (i) a refund, including any accrued interest, if funds deposited by the Participant are unspent and remaining in the Account; or (ii) a statement of the amount of funds that the Participant must pay into the Account before it may receive its Reserved Capacity stated in the Participation Table (the "True-up Statement").
- 9.6 **TCEQ Requirements.** Any Participant may request that the AUP Report meet the requirements of the TCEQ for audits of developer reimbursement from the proceeds of bonds issued by districts subject to TCEQ approval. However, the firm conducting the AUP Report shall separately account for the increased cost of meeting the TCEQ requirements, and only the Participants requesting that the AUP Report meet the TCEQ requirements shall bear the costs of doing so.
- 9.7 **Final Statement.** Within 30 Days after a Participant pays or receives any funds owed under the True-up Statement, the Project Director shall issue a written statement (the "Final Statement") declaring that the Participant does not owe and is not owed any amount under this Agreement, and stating the Participant's Reserved Capacity based on its Paid Share.
- 9.8 **Paid Share.** Regardless of any amount specified elsewhere in this Agreement or in the Participation Table, no Party shall be entitled to Reserved Capacity above its Paid Share.
- 9.9 **Inspection and Review.** The Representatives shall have the right during normal business hours and with reasonable notice to inspect the Account and the related books and records of the Managing Participant during the term of this Agreement.
- 9.10 **Additional Staff.** At the request of the Participants, the Managing Participant will hire one full-time staff-level employee whose duties shall include tracking expenses and providing accounting for the Project, in addition to other similar duties relating to the Project and are approved by the Managing Participant. The Parties agree that said employee shall be a Direct Employee for purposes of Section 9.2, and that 100% of said employee's salary and benefits shall be part of the Cost Recovery Amount so long as 100% of said employee's time is dedicated to the Project.

ARTICLE X METERING AND PRESSURE MONITORING

- 10.1 **Connection and Meter.** Each Participant shall construct, at its sole cost, water handling facilities between the Point(s) of Delivery and the Point(s) of Measurement and set the water meter(s) at the Point(s) of Measurement under the mutual approval and inspection of the Project Director and its Representative. Before any connection, the Participant's water

system shall be disinfected in accordance with requirements approved by the Director. Each Participant also agrees to provide an electronic connection accessible at the Point(s) of Measurement. The Managing Participant shall install, own, maintain, and replace the meters located at the Participants' Points of Measurement. The Parties agree that the Managing Participant may repurpose the meters in use on the Existing Line, or may purchase new meters.

- 10.2 Pressure Monitoring.** In-line pressure boosting facilities downstream of the Point(s) of Delivery are not permitted. Houston shall construct, install and maintain a SCADA system capable of recording flow, flow rate, and pressure at each Point of Delivery with all data transmitted to the Plant on a continuous basis. Houston shall retain such data and make available to all Parties upon request. The Participant shall be provided access to such pressure data on a continual basis.

ARTICLE XI MISCELLANEOUS PROVISIONS

- 11.1 Term.** This Agreement is effective on the Effective Date and shall remain in effect: (i) for each Participant, until the Project Director issues a Final Statement to that Participant; and (ii) for the Managing Participant, until the Project Director has issued all Participants a Final Statement. Upon receiving a Final Statement, the Participant's obligations under this Agreement shall be discharged, and the True-up, Paid Share, and Final Statement shall be cumulative of the Managing Participant's and the Participant's remedies under this Agreement.
- 11.2 Force Majeure.**
- 11.2.1** Timely performance by all Parties is essential to this Agreement. However, no Party shall be liable for reasonable delays in performing its obligations under this Agreement to the extent the delay is caused by Force Majeure that directly affects the Party. The event of Force Majeure may permit a reasonable delay in performance but does not excuse a Party's obligations to complete performance under this Agreement.
- 11.2.2** Force Majeure does not entitle a Party to extra payment or interest.
- 11.2.3** This relief is not applicable unless the affected Party uses due diligence to continue performance notwithstanding the Force Majeure and provides the other Parties with prompt written notice of the cause and its anticipated effect.
- 11.3 Severability.** If any part of this Agreement is for any reason found to be unenforceable, all other parts remain enforceable unless the result materially prejudices any Party.
- 11.4 Written Amendment.** Unless otherwise specified elsewhere in this Agreement, this Agreement may be amended only by written instrument executed by the Parties' governing bodies.

- 11.5 **Applicable Laws.** This Agreement is subject to the laws of the State of Texas, the local laws applicable to each Party, the laws of the federal government of the United States, and all rules and regulations of any regulatory body or officer having jurisdiction. Venue for any litigation relating to this Agreement is Harris County, Texas.
- 11.6 **Notices.** All notices required or permitted by this Agreement must be in writing and are deemed delivered on the earlier of the date actually received or the third Day following: (i) deposit in a United State Postal Service post office or receptacle; (ii) with proper postage (certified mail, return receipt requested); and (iii) addressed to the other Party at the address provided in the 2001 Agreement.
- 11.7 **Captions.** Captions contained in this Agreement are for reference only and have no effect in construing this Agreement. The captions are not restrictive of the subject matter of any section in this Agreement.
- 11.8 **Non-Waiver.** If any Party fails to require another Party to perform a term of this Agreement, that failure shall not prevent the Party from later enforcing that term and all other terms. If any Party waives another Party's breach of a term, that waiver shall not waive a later breach of this Agreement.
- 11.9 **Enforcement.** The Houston City Attorney, or his or her designee, may enforce all of the Managing Participant's legal rights and obligations under this Agreement without further authorization.
- 11.10 **Ambiguities.** If any term of this Agreement is ambiguous, it shall not be construed for or against any Party on the basis that the Party did or did not write it.
- 11.11 **Survival.** Each Party shall remain obligated to the other Parties under all terms of this Agreement that expressly or by their nature extend beyond the expiration or termination of this Agreement.
- 11.12 **Remedies Cumulative.** Unless otherwise specified elsewhere in this Agreement, the rights and remedies contained in this Agreement are not exclusive, but are cumulative of all rights and remedies that exist now or in the future. No Party may terminate its duties under this Agreement except in accordance with its terms.
- 11.13 **Entire Agreement.** This Agreement merges the prior negotiations and understandings of the Parties and embodies the entire agreement of the Parties regarding the Project. No other agreements, assurances, conditions, covenants (express or implied), or other terms of any kind exist between the Parties regarding the Project.
- 11.14 **Effect on Prior Agreements.** This Agreement supersedes and replaces the Original Agreement. This Agreement does not alter or amend the Plant Agreement except to replace Exhibit J of the 2007 Amendment with Exhibit A to this Agreement, which shall occur

automatically without further action of the Parties upon final completion of the Project. If there are any conflicts between the Plant Agreement and this Agreement as they relate to the Southeast Transmission Line or the Project, this Agreement shall control.

- 11.15 Agreement for Operation and Maintenance.** The Parties agree to negotiate in good faith an agreement for operation and maintenance of the Southeast Transmission Line and the Plant, which agreement will supersede and replace the Plant Agreement, to be effective no later than the date of substantial completion of the Project.

IN WITNESS WHEREOF, the Parties have executed this Agreement in multiple copies, each of which is an original. This Agreement is binding only after all Parties have signed this Agreement. Each person signing this Agreement represents and warrants that he or she is duly authorized and has legal capacity to execute and deliver this Agreement. Each Party represents and warrants to the other that the execution and delivery of this Agreement and the performance of such Party's obligations hereunder have been duly authorized and that this Agreement is a valid and legal agreement binding on such Party and enforceable in accordance with its terms.

(Signatures appear on following pages.)

ATTEST/SEAL:

**BAYBROOK MUNICIPAL UTILITY
DISTRICT NO. 1**

By: _____
Name:
Title:

By: _____
Name:
Title:

ATTEST/SEAL:

CITY OF FRIENDSWOOD, TEXAS

By: _____
Name:
Title:

By: _____
Name:
Title:

ATTEST/SEAL:

CITY OF HOUSTON, TEXAS

City Secretary

Mayor

APPROVED:

COUNTERSIGNED:

Director, Houston Public Works

City Controller

APPROVED AS TO FORM:

DATE COUNTERSIGNED:

Assistant City Attorney
L.D. File No. _____

ATTEST/SEAL:

CITY OF PASADENA, TEXAS

By: _____
Name:
Title:

By: _____
Name:
Title:

ATTEST/SEAL:

CITY OF WEBSTER, TEXAS

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

ATTEST/SEAL:

CLEAR LAKE CITY WATER AUTHORITY

By: _____
Name:
Title:

By: _____
Name:
Title:

ATTEST/SEAL:

GULF COAST WATER AUTHORITY

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

ATTEST/SEAL:

**HARRIS COUNTY MUNICIPAL UTILITY
DISTRICT NO. 55**

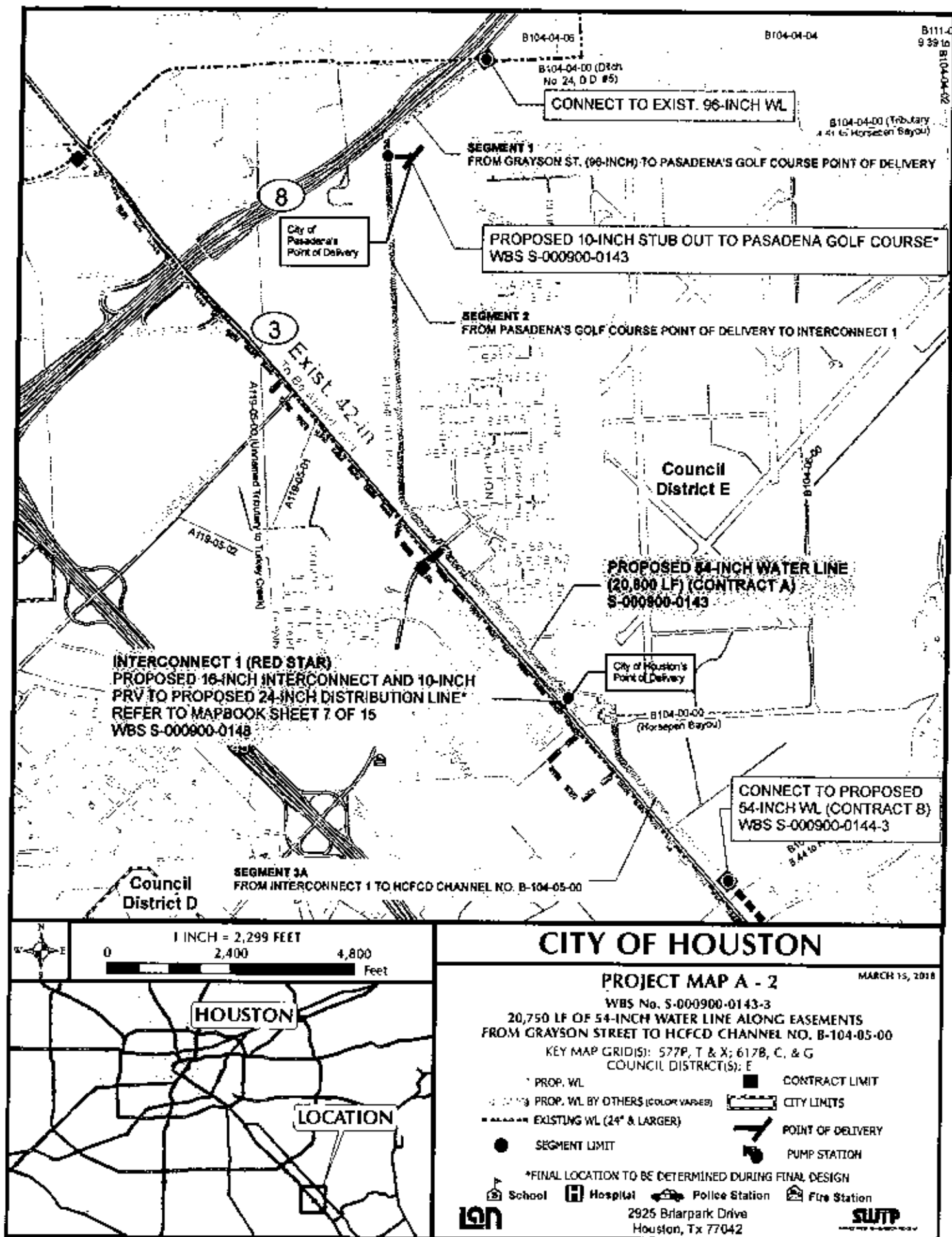
By: _____
Name:
Title:

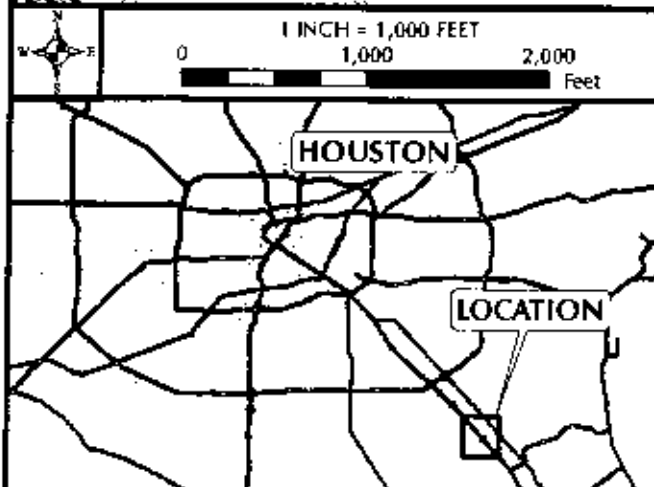
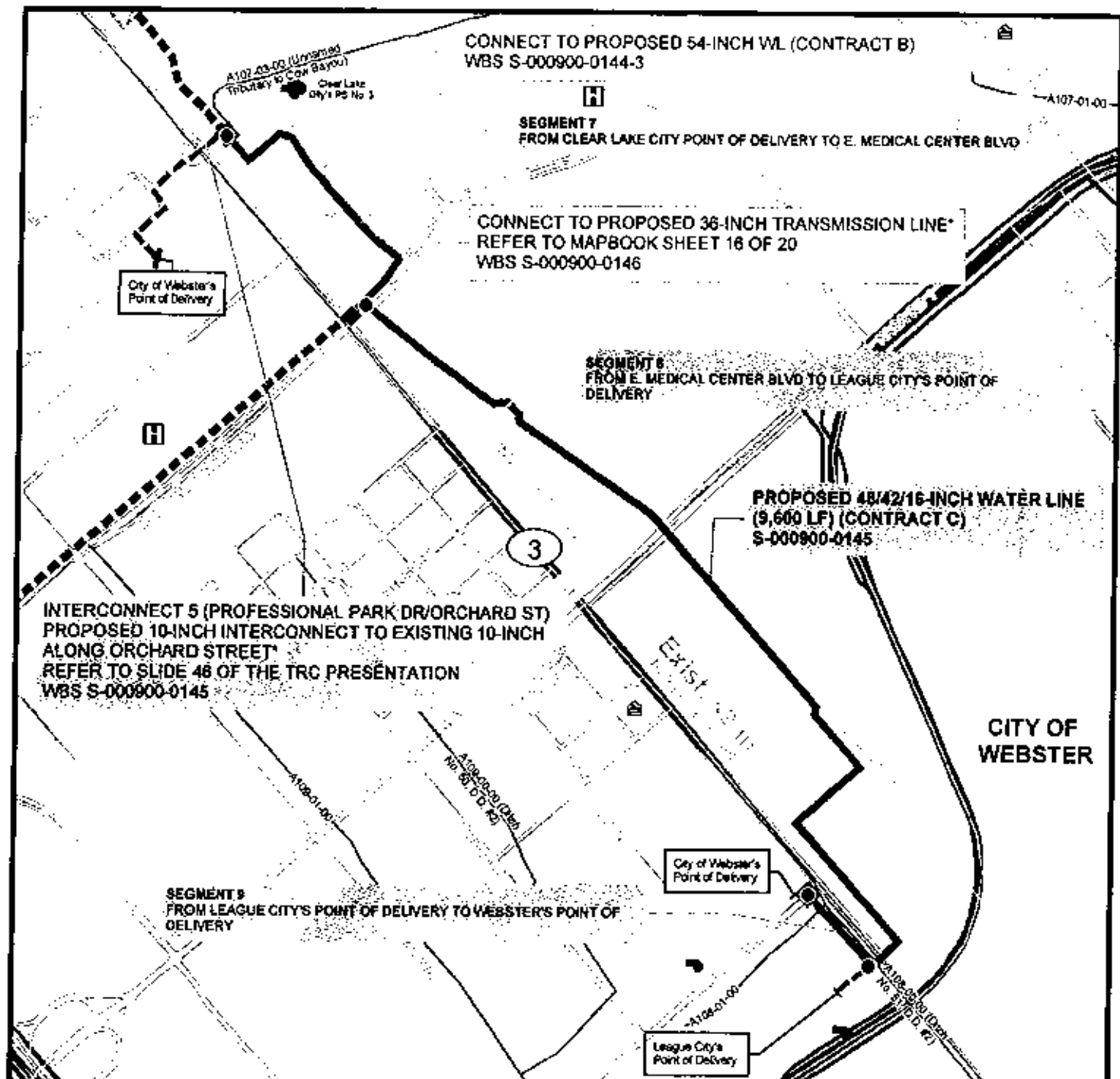
By: _____
Name:
Title:

**EXHIBIT A
PROJECT MAPS**

See attached Project Maps labeled A-1 through A-5, which depict the Southeast Transmission Line in its entirety and by Segment.







CITY OF HOUSTON

PROJECT MAP A - 4

MARCH 15, 2018

WBS No. S-000900-0145-3
9,600 LF OF 48/42/16-INCH WATER LINE ALONG EASEMENTS
AND HIGHWAY 3 FROM CLEAR LAKE CITY PUMP STATION NO. 3
TO MAGNOLIA AVENUE AND ABANDONMENT OF EXISTING
42-INCH WATER LINE ALONG OLD GALVESTON ROAD

KEY MAP GRID(S): 61BT, X, Y
COUNCIL DISTRICT(S): E

- PROPOSED PROP. WL
- PROPOSED PROP. WL BY OTHERS (COLOR VARIES)
- EXISTING WL (24" & LARGER)
- SEGMENT LIMIT
- *FINAL LOCATION TO BE DETERMINED DURING FINAL DESIGN
- School
- Hospital
- Police Station
- Fire Station
- CONTRACT LIMIT
- CITY LIMITS
- POINT OF DELIVERY
- PUMP STATION



2925 Briarpark Drive
Houston, Tx 77042



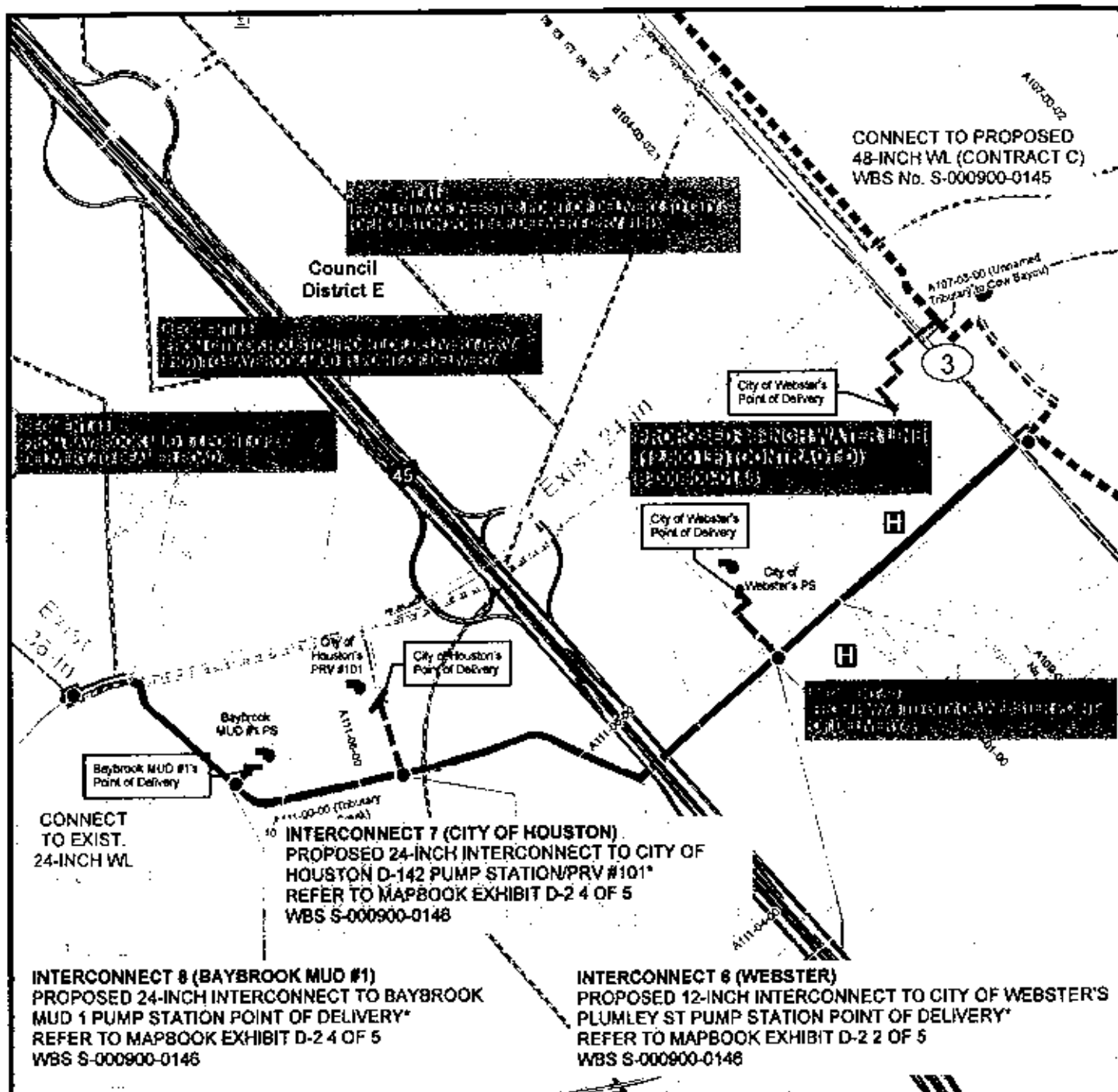


EXHIBIT B
PARTICIPATION TABLES

See attached Participation Tables labeled B-1 through B-5.

Exhibit B - 1
Southeast Transmission Water Line Contract Participation Summary

WBS No. 5-000500-0144 (Contract A) Total Project Cost 16,100 LF of 42-inch Water Line along Easements from HCCO Channel No. B-104 to Clear Lake City Pump Station No. 1		
City of Webster	7.85%	\$1,521,589
Gulf Coast Water Authority (GCWA)	50.5%	\$16,221,574
City of Friendswood	6.5%	\$2,099,589
Baybrook MUD #1	4.5%	\$1,460,305
HC MUD #55	4.8%	\$1,536,090
Clear Lake City Water Authority (CLCWA)	13.5%	\$4,329,097
City of Houston	12.2%	\$3,928,028
City of Pasadena	0.15%	\$46,748
Total	100.0%	\$32,143,000

WBS No. 5-000500-0144 (Contract B) Total Project Cost 16,100 LF of 42-inch Water Line along Easements from HCCO Channel No. B-104 to Clear Lake City Pump Station No. 1		
City of Webster	8.1%	\$2,548,328
Gulf Coast Water Authority (GCWA)	52.0%	\$16,307,970
City of Friendswood	6.7%	\$2,132,074
Baybrook MUD #1	4.7%	\$1,461,130
HC MUD #55	4.9%	\$1,551,176
Clear Lake City Water Authority (CLCWA)	13.9%	\$4,348,792
City of Houston	9.7%	\$3,041,530
Total	100.0%	\$31,371,000

WBS No. 5-000500-0145 (Contract C) Total Project Cost 9,600 LF of 48/42/15-inch Water Line along Easements and Highway 3 from Clear Lake City Pump Station No. 3 to Magnolia Avenue and Abandonment of the 42-inch Water Line along Old Concession Road		
City of Webster	10.7%	\$2,763,423
Gulf Coast Water Authority (GCWA)	77.2%	\$19,876,497
City of Friendswood	2.96%	\$762,151
Baybrook MUD #1	2.1%	\$534,086
HC MUD #55	1.96%	\$506,312
Clear Lake City Water Authority (CLCWA)	2.8%	\$725,550
City of Houston	2.18%	\$585,981
Total	100.0%	\$25,754,000

WBS No. 5-000500-0145 (Contract D) Total Project Cost 9,600 LF of 48/42/15-inch Water Line along Easements and Highway 3 from Clear Lake City Pump Station No. 3 to Magnolia Avenue and Abandonment of the 42-inch Water Line along Old Concession Road		
City of Houston	33.9%	\$9,677,084
City of Webster	6.2%	\$1,770,713
Baybrook MUD #1	14.2%	\$4,067,649
HC MUD #55	19.4%	\$5,528,553
City of Friendswood	16.3%	\$7,501,001
Total	100.0%	\$28,545,000

²¹ Pro Rata Share percentages calculated as a percentage of each participant's cost of the total project cost. Pro Rata Share percentages calculated to ten decimals not shown on table.

²² Project costs for the Segment, includes Engineering Costs, Real Estate Costs, Construction Costs, and Contingencies, except any of such costs that are incurred exclusively for the benefit of one Party and with that Party's prior written approval.

Total Project Cost⁽²²⁾ (Contracts A + B + C + D) \$117,813,000

Exhibit B - 2
Southeast Transmission Water Line Contract Participation Table
WBS No. 5-000900-0143 (CONTRACT A)

20,800 LF of 54-Inch Water Line along Easements from Grayson Street to HCFCD Channel No. B-104-05-00

Segment 1A: 54" from Grayson St. (P&T) to the Pasadena Golf Course Point of Delivery			
	Capacity (MGD)	Percent of Total Capacity	Pro-Rata Share of Segment Costs
City of Webster	5.83	7.7%	\$276,892
Gulf Coast Water Authority (GCWA)	37.50	49.5%	\$1,780,020
City of Friendswood	4.84	6.4%	\$230,144
Baybrook MUD #1	3.37	4.5%	\$161,820
HC MUD #55	3.55	4.7%	\$169,012
Clear Lake City Water Authority (CLCWA)	10.00	13.2%	\$474,672
City of Houston	9.60	12.7%	\$456,632
City of Pasadena	1.00	1.3%	\$46,748
Total	75.69	100.0%	\$3,596,000

Segment 2: 54" from Pasadena Golf Course Point of Delivery to Interconnect 1 (Red Star)			
	Capacity (MGD)	Percent of Total Capacity	Pro-Rata Share of Segment Costs
City of Webster	5.83	7.8%	\$1,144,806
Gulf Coast Water Authority (GCWA)	37.50	50.2%	\$7,367,854
City of Friendswood	4.84	6.5%	\$954,005
Baybrook MUD #1	3.37	4.5%	\$660,465
HC MUD #55	3.55	4.75%	\$697,157
Clear Lake City Water Authority (CLCWA)	10.00	13.4%	\$1,966,718
City of Houston	9.60	12.85%	\$1,885,995
Total	74.69	100.0%	\$14,677,000

Segment 3A: 54" from Interconnect 1 (Red Star) to HCFCD Channel No. B-104-05-00			
	Capacity (MGD)	Percent of Total Capacity	Pro-Rata Share of Segment Costs
City of Webster	5.83	7.93%	\$1,099,891
Gulf Coast Water Authority (GCWA)	37.50	51.0%	\$7,079,700
City of Friendswood	4.84	6.6%	\$915,420
Baybrook MUD #1	3.37	4.6%	\$638,020
HC MUD #55	3.55	4.83%	\$669,921
Clear Lake City Water Authority (CLCWA)	10.00	13.61%	\$1,487,707
City of Houston	9.40	11.43%	\$1,585,341
Total	73.49	100.0%	\$13,870,000

WBS No. 5-000900-0143 (Contract A) Total Cost		
	Percent of Total Cost	Total Cost
City of Webster	7.65%	\$2,521,589
Gulf Coast Water Authority (GCWA)	50.5%	\$16,221,574
City of Friendswood	6.5%	\$2,099,569
Baybrook MUD #1	4.5%	\$1,460,305
HC MUD #55	4.8%	\$1,536,090
Clear Lake City Water Authority (CLCWA)	13.5%	\$4,329,097
City of Houston	12.2%	\$3,928,028
City of Pasadena	0.15%	\$46,748
Total	100.0%	\$32,143,000

- ⁽¹⁾ The capacity a Participant has in the Segment.
- ⁽²⁾ Percent of the total capacity each Participant has in the Segment. Total capacity for the segment is based on hydraulic modeling performed as part of the Feasibility Study Report.
- ⁽³⁾ Project costs for the Segment, includes Engineering Costs, Real Estate Costs, Construction Costs, and Contingencies, except any of such costs that are incurred exclusively for the benefit of one Party and with that Party's prior written approval.
- ⁽⁴⁾ Pro-Rata Share percentages calculated as a percentage of each participant's cost of the total project cost. Pro-Rata Share percentages calculated to one decimal not shown on table.
- ⁽⁵⁾ The sum of the total a Participant has in all the segments that constitute the respective Contract.
 [Contract A = Segments (1 + 2 + 3A)]

Exhibit B - 3
Southeast Transmission Water Line Contract Participation Table
WBS No. S-000900-0144 (CONTRACT B)

16,100 LF of 54-inch Water Line along Easements from HCFCO Channel No. B-104-05-00 to Clear Lake City Pump Station No. 3

Segment 3 54" from HCFCO Channel No. B-104-05-00 to Interconnect 2 (Clear Lake City Blvd.)			
	Capacity (MGD)	Pro Rata Share (%)	Pro Rata Share (\$)
City of Webster	5.83	8.0%	\$274,960
Gulf Coast Water Authority (GCWA)	37.50	51.0%	\$1,752,870
City of Friendswood	4.84	6.6%	\$236,842
Baybrook MUD #1	3.37	4.6%	\$158,102
HC MUD #55	3.55	4.8%	\$164,976
Clear Lake City Water Authority (CLCWA)	10.00	13.6%	\$467,432
City of Houston	6.4	11.4%	\$391,818
Total	73.49	100.0%	\$3,437,000

Segment 4 54" from Interconnect 2 (Clear Lake City Blvd.) to Interconnect 3 (El Dorado Blvd.)			
	Capacity (MGD)	Pro Rata Share (%)	Pro Rata Share (\$)
City of Webster	5.83	8.2%	\$1,127,582
Gulf Coast Water Authority (GCWA)	37.50	52.5%	\$7,219,275
City of Friendswood	4.84	6.6%	\$935,068
Baybrook MUD #1	3.37	4.7%	\$646,297
HC MUD #55	3.55	5.0%	\$687,550
Clear Lake City Water Authority (CLCWA)	10.00	14.0%	\$1,925,140
City of Houston	6.3	8.6%	\$1,210,088
Total	71.39	100.0%	\$13,751,000

Segment 5 54" from Interconnect 3 (El Dorado Blvd.) to Interconnect 4 (N. of Texas Ave.)			
	Capacity (MGD)	Pro Rata Share (%)	Pro Rata Share (\$)
City of Webster	5.83	8.2%	\$564,980
Gulf Coast Water Authority (GCWA)	37.50	52.5%	\$3,617,250
City of Friendswood	4.84	6.8%	\$468,520
Baybrook MUD #1	3.37	4.7%	\$323,830
HC MUD #55	3.55	5.0%	\$344,500
Clear Lake City Water Authority (CLCWA)	10.00	14.0%	\$964,600
City of Houston	6.3	8.8%	\$606,320
Total	71.39	100.0%	\$6,890,000

Segment 6 54" from Interconnect 4 (N. of Texas Ave.) to Clear Lake City Point of Delivery			
	Capacity (MGD)	Pro Rata Share (%)	Pro Rata Share (\$)
City of Webster	5.83	8.2%	\$580,806
Gulf Coast Water Authority (GCWA)	37.50	52.5%	\$3,718,575
City of Friendswood	4.84	6.8%	\$481,644
Baybrook MUD #1	3.37	4.7%	\$332,901
HC MUD #55	3.55	5.0%	\$354,150
Clear Lake City Water Authority (CLCWA)	10.00	14.0%	\$991,620
City of Houston	6.3	8.8%	\$623,304
Total	71.39	100.0%	\$7,083,000

¹⁾ The capacity a Participant has in the Segment.

²⁾ Percent of the total capacity each Participant has in the Segment. Total capacity for the segment is based on hydraulic modeling performed as part of the Feasibility Study Report.

³⁾ Project costs for the Segment, includes Engineering Costs, Real Estate Costs, Construction Costs, and Contingencies, except any of such costs that are incurred exclusively for the benefit of one Party and with that Party's prior written approval.

⁴⁾ Pro Rata Share percentages calculated as a percentage of each participant's cost of the total project cost. Pro Rata Share percentages calculated to ten decimal's not shown on table.

⁵⁾ The sum of the cost a Participant has in all the segments that constitute the respective Contract.
 (Contract B = Segments (3), 4, 5, 6) + Interconnect (2))

Exhibit B - 3
Southeast Transmission Water Line Contract Participation Table
WBS No. 5-000900-0144 (CONTRACT B)

16,100 LF of 54-inch Water Line along Easements from HCFC Channel No. B-104-05-00 to Clear Lake City Pump Station No. 3

Interconnect 2 - Clear Lake City Boulevard			
	Capacity (MGD)	Pro Rata Share (%)	Pro Rata Share (\$)
City of Houston	1.2	100.0%	\$210,000
Total	1.2	100.0%	\$210,000

WBS No. 5-000900-0144 (Contract B) Total Cost		
	Pro Rata Share (%)	Pro Rata Share (\$)
City of Webster	8.1%	\$2,548,328
Gulf Coast Water Authority (GCWA)	52.0%	\$16,307,970
City of Friendswood	6.7%	\$2,112,074
Baybrook MUD #1	4.7%	\$1,461,130
HC MUD #53	4.9%	\$1,551,176
Clear Lake City Water Authority (CLCWA)	13.9%	\$4,348,792
City of Houston	9.7%	\$3,041,530
Total	100.0%	\$31,371,000

⁽¹⁾ The capacity a Participant has in the Segment.

⁽²⁾ Percent of the total capacity each Participant has in the Segment. Total capacity for the segment is based on hydraulic modeling performed as part of the Feasibility Study Report.

⁽³⁾ Project costs for the Segment, includes Engineering Costs, Right of Way Costs, Construction Costs, and Contingencies, except any of such costs that are incurred exclusively for the benefit of one Party and with that Party's prior written approval.

⁽⁴⁾ Pro Rata Share percentages calculated as a percentage of each participant's cost of the total project cost. Pro Rata Share percentages calculated to ten decimals not shown on table.

⁽⁵⁾ The sum of the cost a Participant has in all the segments that constitute the respective Contract.

[Contract B = Segments [3], 4, 5, 6] + Interconnect [2]]

Exhibit B-4
Southeast Transmission Water Line Contract Participation Table
WBS No. S-000900-0145 (CONTRACT C)

9,600 LF of 48/42/16-inch Water Line along Easements and Highway 3 from Clear Lake City Pump Station No. 3 to Magnolia Avenue and Abandonment of the 42-inch Water Line along Old Galveston Road

Segment 7 48" from Clear Lake City Point of Delivery to E. Medical Center Blvd			
Participant	Capacity (MGD)	Pro-Rata Share (%)	Pro-Rata Share (\$)
City of Webster	2.92	4.9%	\$223,539
Gulf Coast Water Authority (GCWA)	37.50	64.1%	\$2,924,242
City of Friendswood	4.84	8.3%	\$378,546
Baybrook MUD #1	3.37	5.8%	\$264,596
HC MUD #55	3.55	6.1%	\$278,282
City of Houston	6.3	10.8%	\$492,696
Total	58.48	100.0%	\$4,562,000

Segment 8 42" from E. Medical Center Blvd to League City (Highway 3) Point of Delivery (League City - GCWA Facility)			
Participant	Capacity (MGD)	Pro-Rata Share (%)	Pro-Rata Share (\$)
City of Webster	2.92	7.2%	\$1,203,480
Gulf Coast Water Authority (GCWA)	37.50	92.8%	\$15,511,520
Total	40.42	100.0%	\$16,715,000

Segment 9 16" from League City (Highway 3) Point of Delivery to Webster (Highway 3) Point of Delivery			
Participant	Capacity (MGD)	Pro-Rata Share (%)	Pro-Rata Share (\$)
City of Webster	2.92	100.0%	\$520,000
Total	2.92	100.0%	\$520,000

Interconnect 5 - Webster (Professional Park Dr / Orchard St) - SEYL			
Participant	Capacity (MGD)	Pro-Rata Share (%)	Pro-Rata Share (\$)
City of Webster	2.92	100.0%	\$502,000
Total	2.92	100.0%	\$502,000

Abandonment of the 42-inch water line along Old			
Participant	Capacity (MGD)	Pro-Rata Share (%)	Pro-Rata Share (\$)
City of Webster	3.97	9.1%	\$314,405
Gulf Coast Water Authority (GCWA)	18.17	41.7%	\$1,440,735
City of Friendswood	4.84	11.1%	\$383,505
Baybrook MUD #1	3.38	7.8%	\$269,490
HC MUD #55	2.89	6.6%	\$218,030
Clear Lake City Water Authority (CLOWA)	9.12	21.0%	\$725,550
City of Houston	1.16	2.7%	\$93,285
Total	43.53	100.0%	\$3,455,000

Summary of Pro-Rata Share Percentages		
Participant	Pro-Rata Share (%)	Pro-Rata Share (\$)
City of Webster	10.7%	\$2,763,423
Gulf Coast Water Authority (GCWA)	77.2%	\$19,876,497
City of Friendswood	2.96%	\$762,151
Baybrook MUD #1	2.1%	\$534,086
HC MUD #55	1.96%	\$506,312
Clear Lake City Water Authority (CLOWA)	2.8%	\$725,550
City of Houston	2.28%	\$585,981
Total	100.0%	\$25,754,000

- H The capacity a Participant has in the Segment.
 I Percent of the total capacity each Participant has in the Segment. Total capacity for the segment is based on hydraulic modeling performed as part of the Feasibility Study Report.
 J Project costs for the Segment, includes Engineering Costs, Real Estate Costs, Construction Costs, and Contingencies, except any of such costs that are incurred exclusively for the benefit of one Party and with that Party's prior written approval.
 K Percentages based on the existing "Amendment to Cost Sharing Agreement Southeast Water Purification Plant (Revised and Amended)" Contract.
 L Pro-Rata Share percentages calculated as a percentage of each participant's cost of the total project cost. Pro-Rata Share percentages calculated to ten decimals not shown on table.
 M The sum of the cost a Participant has in all the segments that constitute the respective Contract.
 (Contract C + Segment(s) 7 + 8 + 9) + Interconnect (5) + Abandonment(s)

Exhibit B - 5
Southeast Transmission Water Line Contract Participation Table
WBS No. S-000900-0146 (CONTRACT D)

12,800 LF of 36-inch Water Line south of Bay Area Boulevard, parallel to HCFCD Easement Unit A-111-00-00 and along W. Medical Center Boulevard from Highway 3 to Seamer Road and Abandonment of the 24-inch water line along Bay Area Boulevard

Segment 10 - Highway 3 to City of Webster Point of Delivery			
Participant	Capacity (MGD)	Pro Rate Share (%)	Pro Rate Share (\$)
City of Houston	6.30	33.1%	\$3,261,343
City of Webster	1.00	5.2%	\$512,356
Baybrook MUD #1	3.37	17.7%	\$1,743,981
HC MUD #55	3.55	18.6%	\$1,832,658
City of Friendswood	4.84	25.4%	\$2,502,662
Total	19.06	100.0%	\$9,853,000

Segment 11 - City of Webster Point of Delivery to City of Houston Point of Delivery (PRV #101)			
Participant	Capacity (MGD)	Pro Rate Share (%)	Pro Rate Share (\$)
City of Houston	6.30	33.1%	\$2,951,196
City of Webster	1.00	5.2%	\$463,632
Baybrook MUD #1	3.37	17.7%	\$1,578,132
HC MUD #55	3.55	18.6%	\$1,658,376
City of Friendswood	4.84	25.4%	\$2,264,664
Total	19.06	100.0%	\$8,916,000

Segment 12 - From City of Houston Point of Delivery (PRV #101) to Baybrook MUD #1 Point of Delivery			
Participant	Capacity (MGD)	Pro Rate Share (%)	Pro Rate Share (\$)
City of Houston	4.40	25.7%	\$566,474
City of Webster	1.00	5.8%	\$132,356
Baybrook MUD #1	3.37	19.6%	\$447,272
HC MUD #55	3.55	20.7%	\$472,374
City of Friendswood	4.84	28.2%	\$643,524
Total	17.16	100.0%	\$2,262,000

Segment 13 - From Baybrook MUD #1 Point of Delivery to Seamer Road			
Participant	Capacity (MGD)	Pro Rate Share (%)	Pro Rate Share (\$)
City of Houston	4.40	31.9%	\$1,679,535
City of Webster	1.00	7.3%	\$364,345
HC MUD #55	3.55	25.7%	\$1,353,105
City of Friendswood	4.84	35.1%	\$1,848,015
Total	13.79	100.0%	\$5,265,000

Interconnect 15 - Webster (Portney 30" BAF)			
Participant	Capacity (MGD)	Pro Rate Share (%)	Pro Rate Share (\$)
City of Webster	1.00	100.0%	\$185,000
Total	1.00	100.0%	\$185,000

- ¹ The capacity a Participant has in the Segment.
- ² Percent of the total capacity each Participant has in the Segment. Total capacity for the segment is based on hydraulic modeling performed as part of the Feasibility Study Report.
- ³ Project costs for the Segment, includes Engineering Costs, Real Estate Costs, Construction Costs, and Contingencies, except any of such costs that are incurred exclusively for the benefit of one Party and with that Party's prior written approval.
- ⁴ Bay Area Replacement Transmission Water Line.
- ⁵ Percentages based on the existing "Amendment to Cost Sharing Agreement Southeast Water Purification Plant (Restated and Amended)" Contract.
- ⁶ Pro Rate Share percentages calculated as a percentage of each participant's cost of the total project cost. Pro Rate Share percentages calculated to two decimal places not shown on table.
- ⁷ The sum of the cost a Participant has in all the segments that constitute the respective Contract.
 [Contract D = Segments (10 + 11 + 12 + 13) + Interconnects (6 + 7 + 8) + Abandonment]

Exhibit B - 5
Southeast Transmission Water Line Contract Participation Table
WBS No. S-000900-0146 (CONTRACT D)

**12,800 LF of 36-inch Water Line south of Bay Area Boulevard, parallel to HCFCO Easement Unit A-111-00-00
and along W. Medical Center Boulevard from Highway 3 to Beamer Road and Abandonment of
the 24-inch water line along Bay Area Boulevard**

Interconnect 7 - City of Houston PRV #101			
City of Houston	1.90	100.0%	\$546,000
Total	1.90	100.0%	\$546,000

Interconnect 8 - Baybrook MUD #1			
Baybrook MUD #1	3.37	100.0%	\$130,000
Total	3.37	100.0%	\$130,000

Abandonment of the 24-inch water line along Bay Area Boulevard			
City of Houston	13.08	47.7%	\$652,536
City of Webster	1.86	6.8%	\$83,024
Baybrook MUD #1	3.38	12.3%	\$168,264
HC MUD #55	4.252	15.5%	\$212,040
City of Friendswood	4.84	17.7%	\$242,136
Total	27.412	100.0%	\$1,368,000

WBS No. S-000900-0146 (Contract D) Total Cost		
City of Houston	33.9%	\$9,677,084
City of Webster	6.2%	\$1,770,713
Baybrook MUD #1	14.2%	\$4,067,849
HC MUD #55	19.4%	\$5,528,553
City of Friendswood	26.3%	\$7,501,001
Total	100.0%	\$28,545,000

- ⁴¹ The capacity a Participant has in the Segment.
- ⁴² Percent of the total capacity each Participant has in the Segment. Total capacity for the segment is based on hydraulic modeling performed as part of the Feasibility Study Report.
- ⁴³ Project costs for the Segment, includes Engineering Costs, Real Estate Costs, Construction Costs, and Contingencies, except any of such costs that are incurred exclusively for the benefit of one Party and with that Party's prior written approval.
- ⁴⁴ Bay Area Replacement Transmission Water Line.
- ⁴⁵ Percentages based on the existing "Amendments to Cost Sharing Agreement Southeast Water Purification Plant (Restated and Amended)" Contract.
- ⁴⁶ Pro Rata Share percentages calculated as a percentage of each participant's cost of the total project cost. Pro Rata Share percentages calculated to ten decimals not shown on table.
- ⁴⁷ The sum of the cost a Participant has in all the segments that constitute the respective Contract.
[Contract D = Segments (10 + 11 + 12 + 13) + Interconnects (6 + 7 + 8) + Abandonment]

**EXHIBIT C
PROJECT BUDGET**

See attached.

Exhibit C-1
Southwest Transmission Water Line Contract Amendment Project Overall Budget

Contractor WBS No. S-000900-0143 (A), -0144 (B), -0145 (C) & -0146 (D) and Technical Services (Amendment I)							
City of Webster		\$1,872,814		\$1,936,660	\$2,055,328	\$3,699,250	\$9,804,058
Gulf Coast Water Authority (GCWA)		\$10,084,588		\$12,191,616	\$13,479,407	\$16,448,449	\$52,406,041
City of Friendwood		\$2,513,071		\$1,606,119	\$1,744,849	\$6,513,957	\$12,474,798
Baybrook MUD #1		\$1,512,726		\$1,110,419	\$1,213,449	\$3,686,576	\$7,523,170
HC MUD #55		\$1,837,959		\$1,178,852	\$1,276,423	\$4,828,898	\$9,141,132
Clear Lake City Water Authority (CLCWA)		\$1,900,771		\$9,904,954	\$3,597,287	\$600,416	\$9,403,439
City of Houston		\$1,453,180		\$2,311,441	\$9,264,016	\$8,203,946	\$17,231,613
City of Pasadena		\$7,902		\$0	\$38,846	\$0	\$46,748
TOTAL		\$25,180,991		\$23,841,112	\$26,709,405	\$44,081,491	\$117,813,000

Table E-2
 Estimated Transportation Needs Line Contract Appraisal Project Budget Breakdown

		2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
0-00000-01-01 Technical Services (A)	City of Webster	7.0%	\$14,143				\$14,143
	St. Louis Water Authority (SCWA)	80.0%	\$160,290				\$160,290
	City of St. Louis	4.0%	\$7,252				\$7,252
	Raymond MUD I	4.0%	\$7,252				\$7,252
	MC MUD 35	4.0%	\$7,252				\$7,252
	Clear Lake City Water Authority (CLOWA)	11.0%	\$20,567				\$20,567
	City of Houston	9.0%	\$16,500				\$16,500
	SUB-TOTAL		\$280,054				\$280,054
0-00000-01-02 Technical Services (B)	City of Webster	7.0%	\$14,143				\$14,143
	St. Louis Water Authority (SCWA)	80.0%	\$160,290				\$160,290
	City of St. Louis	4.0%	\$7,252				\$7,252
	Raymond MUD I	4.0%	\$7,252				\$7,252
	MC MUD 35	4.0%	\$7,252				\$7,252
	Clear Lake City Water Authority (CLOWA)	11.0%	\$20,567				\$20,567
	City of Houston	9.0%	\$16,500				\$16,500
	SUB-TOTAL		\$280,054				\$280,054
0-00000-01-03 Technical Services (C)	City of Webster	7.0%	\$14,143				\$14,143
	St. Louis Water Authority (SCWA)	80.0%	\$160,290				\$160,290
	City of St. Louis	4.0%	\$7,252				\$7,252
	Raymond MUD I	4.0%	\$7,252				\$7,252
	MC MUD 35	4.0%	\$7,252				\$7,252
	Clear Lake City Water Authority (CLOWA)	11.0%	\$20,567				\$20,567
	City of Houston	9.0%	\$16,500				\$16,500
	SUB-TOTAL		\$280,054				\$280,054
0-00000-01-04 Technical Services (D)	City of Webster	7.0%	\$14,143				\$14,143
	St. Louis Water Authority (SCWA)	80.0%	\$160,290				\$160,290
	City of St. Louis	4.0%	\$7,252				\$7,252
	Raymond MUD I	4.0%	\$7,252				\$7,252
	MC MUD 35	4.0%	\$7,252				\$7,252
	Clear Lake City Water Authority (CLOWA)	11.0%	\$20,567				\$20,567
	City of Houston	9.0%	\$16,500				\$16,500
	SUB-TOTAL		\$280,054				\$280,054
0-00000-01-05 Technical Services (E)	City of Webster	7.0%	\$14,143				\$14,143
	St. Louis Water Authority (SCWA)	80.0%	\$160,290				\$160,290
	City of St. Louis	4.0%	\$7,252				\$7,252
	Raymond MUD I	4.0%	\$7,252				\$7,252
	MC MUD 35	4.0%	\$7,252				\$7,252
	Clear Lake City Water Authority (CLOWA)	11.0%	\$20,567				\$20,567
	City of Houston	9.0%	\$16,500				\$16,500
	SUB-TOTAL		\$280,054				\$280,054
0-00000-01-06 Technical Services (F)	City of Webster	7.0%	\$14,143				\$14,143
	St. Louis Water Authority (SCWA)	80.0%	\$160,290				\$160,290
	City of St. Louis	4.0%	\$7,252				\$7,252
	Raymond MUD I	4.0%	\$7,252				\$7,252
	MC MUD 35	4.0%	\$7,252				\$7,252
	Clear Lake City Water Authority (CLOWA)	11.0%	\$20,567				\$20,567
	City of Houston	9.0%	\$16,500				\$16,500
	SUB-TOTAL		\$280,054				\$280,054
0-00000-01-07 Technical Services (G)	City of Webster	7.0%	\$14,143				\$14,143
	St. Louis Water Authority (SCWA)	80.0%	\$160,290				\$160,290
	City of St. Louis	4.0%	\$7,252				\$7,252
	Raymond MUD I	4.0%	\$7,252				\$7,252
	MC MUD 35	4.0%	\$7,252				\$7,252
	Clear Lake City Water Authority (CLOWA)	11.0%	\$20,567				\$20,567
	City of Houston	9.0%	\$16,500				\$16,500
	SUB-TOTAL		\$280,054				\$280,054
0-00000-01-08 Technical Services (H)	City of Webster	7.0%	\$14,143				\$14,143
	St. Louis Water Authority (SCWA)	80.0%	\$160,290				\$160,290
	City of St. Louis	4.0%	\$7,252				\$7,252
	Raymond MUD I	4.0%	\$7,252				\$7,252
	MC MUD 35	4.0%	\$7,252				\$7,252
	Clear Lake City Water Authority (CLOWA)	11.0%	\$20,567				\$20,567
	City of Houston	9.0%	\$16,500				\$16,500
	SUB-TOTAL		\$280,054				\$280,054
Total			\$2,800,540				\$2,800,540

* For each item, percentage of total is based on the total of the two previous items. For each item, percentage of total is based on the total of the two previous items.

EXHIBIT C - 4
Phase I Participation

54" from City of Houston (City of Houston) (City of Houston)		
54" Length (L)		
City	Amount (\$100)	Percentage
City of Houston	1.00	1.13%
Webster	1.00	4.17%
SCWA	17.5	46.28%
Friendwood	4.84	5.37%
Baybrook MUD 1	1.80	2.22%
MC MUD 55	2.85	3.57%
CLCWA	10.00	12.54%
City of Houston	18.00	22.41%
Total	46.00	100.00%

54" from City of Houston (City of Houston) (City of Houston)		
54" Length (L)		
City	Amount (\$100)	Percentage
Webster	5.00	8.20%
SCWA	57.5	46.86%
Friendwood	4.84	6.05%
Baybrook MUD 1	1.80	2.25%
MC MUD 55	1.80	5.11%
CLCWA	10.00	12.50%
City of Houston	18.00	22.49%
Total	100.00	100.00%

54" from City of Houston (City of Houston) (City of Houston)		
54" Length (L)		
City	Amount (\$100)	Percentage
Webster	1.00	6.25%
SCWA	37.5	93.75%
Total	40.00	100.00%

54" from City of Houston (City of Houston) (City of Houston)		
54" Length (L)		
City	Amount (\$100)	Percentage
Webster	5.00	8.20%
SCWA	57.5	46.86%
Friendwood	4.84	6.05%
Baybrook MUD 1	1.80	2.25%
MC MUD 55	1.80	5.11%
CLCWA	10.00	12.50%
City of Houston	18.00	22.49%
Total	100.00	100.00%

54" from City of Houston (City of Houston) (City of Houston)		
54" Length (L)		
City	Amount (\$100)	Percentage
Webster	5.00	8.20%
SCWA	57.5	46.86%
Friendwood	4.84	6.05%
Baybrook MUD 1	1.80	2.25%
MC MUD 55	1.80	5.11%
CLCWA	10.00	12.50%
City of Houston	18.00	22.49%
Total	100.00	100.00%

54" from City of Houston (City of Houston) (City of Houston)		
54" Length (L)		
City	Amount (\$100)	Percentage
City of Houston	1.00	100.00%
Total	1.00	100.00%

54" from City of Houston (City of Houston) (City of Houston)												
54" Length (L)												
City	Amount (\$100)	Percentage	City	Amount (\$100)	Percentage	City	Amount (\$100)	Percentage	City	Amount (\$100)	Percentage	City
City of Houston	1.00	1.13%	City of Houston	1.00	1.13%	City of Houston	1.00	1.13%	City of Houston	1.00	1.13%	City of Houston
Webster	1.00	4.17%	Webster	1.00	4.17%	Webster	1.00	4.17%	Webster	1.00	4.17%	Webster
SCWA	17.5	46.28%	SCWA	17.5	46.28%	SCWA	17.5	46.28%	SCWA	17.5	46.28%	SCWA
Friendwood	4.84	5.37%	Friendwood	4.84	5.37%	Friendwood	4.84	5.37%	Friendwood	4.84	5.37%	Friendwood
Baybrook MUD 1	1.80	2.22%	Baybrook MUD 1	1.80	2.22%	Baybrook MUD 1	1.80	2.22%	Baybrook MUD 1	1.80	2.22%	Baybrook MUD 1
MC MUD 55	2.85	3.57%	MC MUD 55	2.85	3.57%	MC MUD 55	2.85	3.57%	MC MUD 55	2.85	3.57%	MC MUD 55
CLCWA	10.00	12.54%	CLCWA	10.00	12.54%	CLCWA	10.00	12.54%	CLCWA	10.00	12.54%	CLCWA
City of Houston	18.00	22.41%	City of Houston	18.00	22.41%	City of Houston	18.00	22.41%	City of Houston	18.00	22.41%	City of Houston
Total	46.00	100.00%	Total	46.00	100.00%	Total	46.00	100.00%	Total	46.00	100.00%	Total

City of Houston has included in the Phase I Participation Table of the existing "Amendments to Gas Sharing Agreement" between Webster and Houston (City of Houston).

**EXHIBIT D
PROJECT SCHEDULE**

See attached.

**EXHIBIT D
SOUTHEAST TRANSMISSION WATER LINE CONTRACT SCHEDULE**

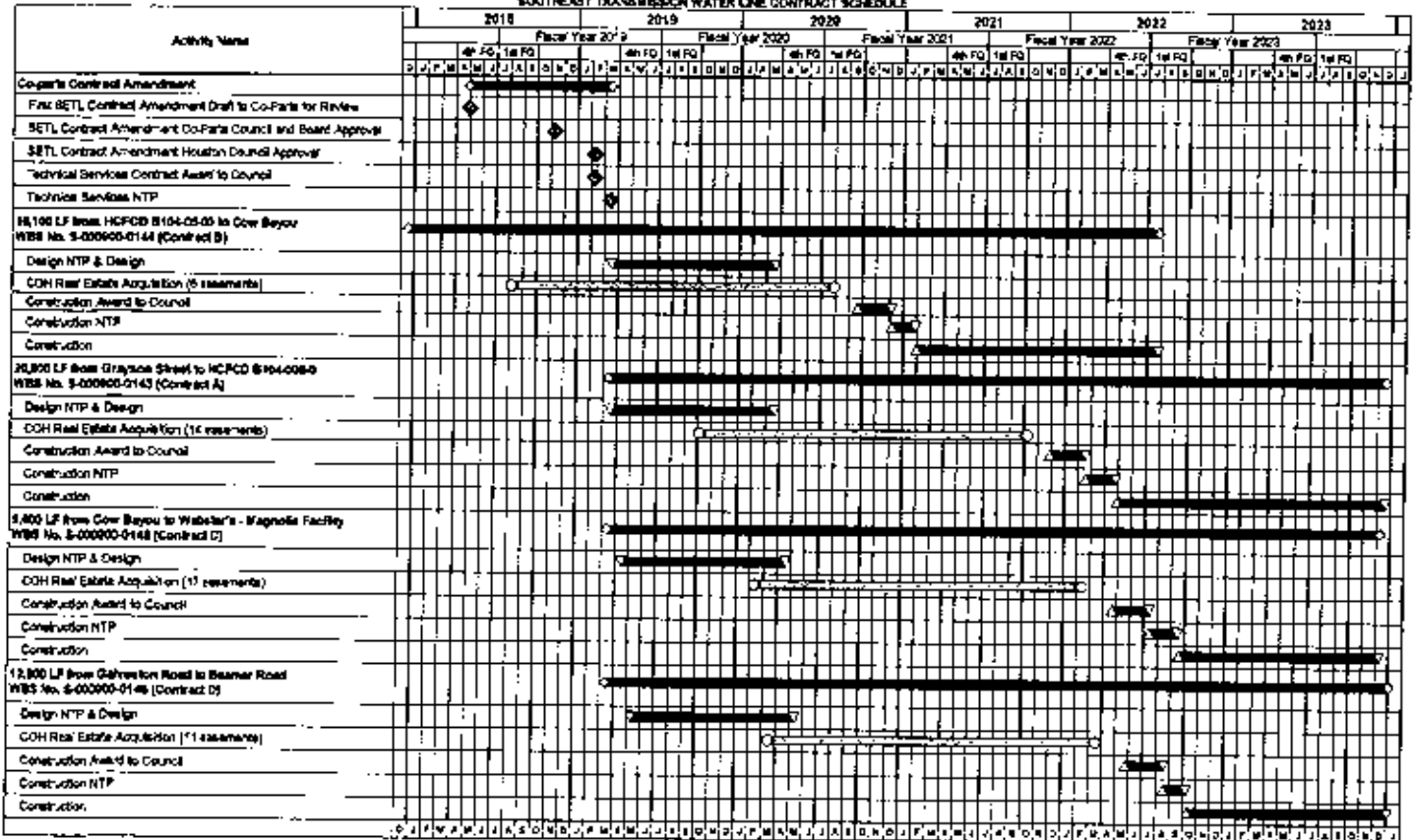


EXHIBIT E
CASH CALL SCHEDULE

See attached.

Exhibit E
Southeast Transmission Water Line Contract Amendment Project Cash Call Schedule

Co. Participants	FY19	FY20	FY21	FY22	FY23	Total
Notice of Upcoming Cash Call Date	N/A	N/A	10/20/2019	10/19/2020	10/19/2021	
Cash Call Date	2/1/2019	N/A	2/17/2020	2/16/2021	2/16/2022	
Cash Call Due Date	4/2/2019	N/A	5/17/2020	5/17/2021	5/17/2022	
Baybrook MUD 1	1,512,725.00	-	1,110,419.00	1,213,448.00	3,686,576.00	7,523,168.00
City of Friendswood	2,511,070.00	-	1,605,119.00	1,744,648.00	6,613,956.00	12,474,793.00
City of Houston	3,453,184.00	-	2,311,483.00	3,264,020.00	8,203,949.00	17,232,636.00
City of Pasadena	7,902.00	-	-	38,845.00	-	46,747.00
City of Webster	1,872,818.00	-	1,936,660.00	2,095,328.00	3,699,250.00	9,604,051.00
Clear Lake City Water Authority (CLCWA)	1,900,771.00	-	3,304,964.00	3,597,287.00	600,416.00	9,403,438.00
Gulf Coast Water Authority (GCWA)	10,084,568.00	-	12,393,616.00	13,479,407.00	16,448,448.00	52,406,039.00
HC MUD 55	1,837,958.00	-	1,178,851.00	1,276,422.00	4,828,897.00	9,122,128.00
Total	\$ 23,180,991.00	\$ -	\$ 23,841,112.00	\$ 26,709,405.00	\$ 44,081,492.00	\$ 117,813,000.00

*** The dates and amounts are merely estimates and the Project Director may update the schedule in accordance with Section 2.1

CS2797

07-0927

2007

**AMENDMENT TO
COST SHARING AGREEMENT
SOUTHEAST WATER PURIFICATION PLANT
(RESTATED AND AMENDED)**

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Addendum to Operations and Maintenance for Southeast Water Purification Plant

C1 Schedule of Actual and Estimated Costs for Plant

- C2 Calculation of Unrecovered Original Capital Costs**
- C3 CWA Bond Debt Service**
- D1 Schedule of Actual Costs of Pumping / Distribution**
- D2 Calculation of Unrecovered Capital Costs for Pumping / Distribution**
- F Calculation of Total Investment by Participant**
Calculation of Total Gallons per Participant
- G Beamer Road and Related Transmission Allocation**
- H (No Exhibit)**
- I Untreated Water Facilities Outstanding Debt**
- J Transmission Line Capacity Map**

PARTICIPANT EXHIBITS

- I Maps of Point of Delivery**
- II Demand, Pumping and Distribution Allocations and Costs**

**AMENDMENT
TO
COST SHARING AGREEMENT
SOUTHEAST WATER PURIFICATION PLANT
(RESTATED AND AMENDED)**

THIS AMENDMENT TO THE COST SHARING AGREEMENT SOUTHEAST WATER PURIFICATION PLANT (RESTATED AND AMENDED) is made on the date of countersignature shown below by and between the **CITY OF HOUSTON** (herein "Managing Participant") and **THE GULF COAST WATER AUTHORITY, THE CLEAR LAKE CITY WATER AUTHORITY, THE CITY OF NASSAU BAY, THE CLEAR BROOK CITY MUNICIPAL UTILITY DISTRICT, THE LAPORTE AREA WATER AUTHORITY, HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55, THE CITY OF PASADENA, THE CITY OF SOUTH HOUSTON, THE CITY OF WEBSTER, THE CITY OF FRIENDSWOOD and BAYBROOK MUNICIPAL UTILITY DISTRICT NO. 1** (herein "Participants").

RECITALS

WHEREAS, the Participants and the Managing Participant entered into various Contracts for cost sharing in the construction and operation of the Southeast Water Purification Plant ("Plant"), which had the initial production capacity of 80 million gallons of water per day (MGD) during 1986-87; and

WHEREAS, the Participants and the Managing Participant entered into the Cost Sharing Agreement, Southeast Water Purification Plant (Restated and Amended) (herein "Restated Agreement") on or about June 22, 2001 to increase the production capacity of the Plant to 120 MGD; and

WHEREAS, the Participants and the Managing Participant have agreed to share in the cost of a new modification of the Plant to increase its production capacity to 200 MGD and add certain enhancements to the Plant; and

WHEREAS, the Participants have reviewed and approved the scope of the Project described herein;

NOW, THEREFORE, the parties agree as follows:

ARTICLE I.

DEFINITIONS

All definitions included in the Restated Agreement shall apply unless the context requires otherwise or in case the term is otherwise defined in this Amendment.

"200 MGD Project" includes certain improvements to the Plant that will increase its Production Capacity to 200 MGD and the Plant's Pumping Capacity to 255 MGD. The "200 MGD Project" also includes certain upgrades for the Plant's existing facilities that will benefit the Participants. A summary of these improvements and estimated costs is attached as Exhibits "C1" and "D1" hereto. The 200 MGD Project is an "Other Project" as defined in Section 3.7 of the Restated Agreement.

"200 MGD Project Cost" includes:

- a. Costs for facilities to increase the reliable capacity of the Plant from 120 MGD to 200 MGD to benefit only the Participants sharing in the increased 80 MGD

capacity of the Plant, including engineering, testing, construction, equipment, legal services, contractor claims expenses, construction management, cost of services performed by the Managing Participant's employees, and auditing expenses. (Reference Exhibit C1 "Firm 200 MGD" Columns, herein these expenses are "Firm 200 MGD Expenses").

- b. Costs for the upgrades to the facilities built to enhance the operation of the Plant for the benefit of all Participants, including engineering, testing, construction, equipment, legal services, contractor claims expenses, construction management, cost of services performed by Managing Participant's employees and auditing expenses. (Reference Exhibit C1 columns labeled "Enhancements (existing 120 MGD capacity only)", herein those expenses are "Enhancement Expenses").
- c. Cost for the additional 55 MGD high service pump station to benefit only the Participants sharing in the increased 80 MGD capacity of the Plant, including engineering, testing, construction, equipment, legal services, contractor claims expenses, construction management, cost of services performed by Managing Participant's employees and auditing expenses. Reference Exhibit D1, column "High Service Treated Water Pumping" with rows labeled "Cost per Gallon New Pump less Old Pump", "Incremental Cost-Original Capacity" and "Purchase of Original Capacity" with details shown in Exhibit D2, columns labeled "200 MGD Costs Purchased Capacity" and "Increased \$", herein these expenses are "Pump Station Expenses").

Costs that are borne in common by paragraphs a, b and c, such as engineering and auditing expenses, will be apportioned among paragraphs a, b and c based on actual construction costs for work describe in paragraphs a, b and c.

"Plant Recoupment Cost" means certain unrecovered and redistributed capital costs for the Managing Participant's initial construction of the Plant as shown on Exhibit C1, row labeled "Additional Capital Allocations Recoupment" and columns labeled "Existing Facilities," and Exhibit C2, Treatment Plant (SEWPP), column labeled "Recoupment Increased \$" hereto. The Managing Participant affirms that Plant Recoupment Costs required under this Amendment are based on the accounting for the prior capital costs for the Plant and are final for the Demand Allocation of each Participant as shown on the Participant Exhibits II.

"Pumping and Distribution Recoupment Cost" includes:

- a. Unrecovered capital costs for additional capacity in the Treated Water Pumping Facilities and the Treated Water Transmission Facilities are as shown on Exhibits "D1" and "D2." The Treated Water Transmission Facility additional capacity capital costs are shown on Exhibit D1 in rows labeled as follows, with the capacity purchased specific to the area of service:

"Cost per Gallon - Existing Pipeline (96" C to D and Beamer)" and C to D portion shown separately on Exhibit D2 in columns labeled "Balance of Distribution \$ (C to D) and New Allocation %".

"Purchase of Original Capacity (Dist. "B to C")" and detail shown on Exhibit D2 in column labeled "Jun-00 Allocation \$ (B to C)".

The Treated Water Pumping Facility additional capacity capital costs are shown on Exhibit D1 in row labeled as "Purchase of Original Capacity (Dist. "B to C")" and further detailed on Exhibit D2 in column labeled "200 mgd costs Purchased Capacity".

- b. Unrecovered capital costs for the Managing Participant's initial construction of the Treated Water Pumping Facilities as shown in Exhibit D1 column labeled "High Service Treated Water Pumping" and row labeled "Incremental Cost-Original Capacity" with details shown in Exhibit D2 High Service Treated Water Pumping, column labeled "Increased \$".
- c. Unrecovered capital costs for construction of the Beamer Road transmission line as shown on Exhibit "D1".

The Managing Participant affirms that Plant Recoupment Costs and the Pumping and Distribution Recoupment Costs required under this Amendment are based on the accounting for the prior capital costs for the Plant and constitute all of the remaining unrecovered costs for the Plant and that there are no further unrecovered costs to be recovered from any of the Participants in the future other than those costs in Exhibit C2 in the column labeled "Balance of SEWPP" for treatment plant costs, those costs in Exhibit D2 in the column labeled "Balance of HS PS" for pumping costs, and any additional capacity purchased for distribution for the amount shown on Exhibit D2 (B to C allocation is \$.04660/gallon and C to D allocation is \$.0570/gallon).

ARTICLE II.

PAYMENT

Participants agree to make payment to the Managing Participant in the amounts shown on Exhibit II, except payment for the 200 MGD Project Cost shall be based on the bid cost of the

200 MGD Project plus a five percent construction contingency of the bid cost plus other non-construction cost items included in the definition of "200 MGD Project Cost." After bids for the 200 MGD Project are opened and read, the Managing Participant shall provide each Participant an accounting and invoice for the payment, which shall be due within 90 days of the Participant's receipt of such accounting. A summary of the investment dollars and Demand Allocation purchased per Participant is shown on Exhibit "F". Payments for Plant Recoupment Costs and Pumping and Distribution Recoupment Costs are firm as shown in Exhibit II. The Managing Participant shall use diligent efforts to obtain bids for construction of the 200 MGD Project after execution of this Amendment by all Participants. At such time as the Managing Participant has secured sufficient financing for the 200 MGD Project from the Participants, it will award the construction contract and complete the 200 MGD Project. If the Managing Participant does not timely receive the funds necessary to construct the 200 MGD Project and the Project is canceled, then the Managing Participant shall promptly refund all funds paid by the Participants to the Managing Participant for the 200 MGD Project Costs, plus interest thereon compounded quarterly at the Interest Rate.

ARTICLE III.

CONSTRUCTION

During all working hours of the construction period, a Participant Director and anyone authorized by such Director shall have access to the Plant premises and may inspect or review the Plant and all engineering specifications and documents related to the Plant. The Managing Participant shall present any change order(s) in the design, specifications or construction of the 200 MGD Project that exceed(s), cumulatively, the five percent construction contingency to the Operating Advisory Committee for prior written approval. Failure to do so will result in the

change order not being included in the 200 MGD Project unless and until written approval is received from the Participants. Change orders caused under Force Majeure or acts of terror shall be excluded from this provision.

ARTICLE IV.

MANAGEMENT AND ACCOUNTING FOR 200 MGD PROJECT COST

Each Participant's contribution for the 200 MGD Project Cost shall be kept by the Managing Participant in an account with interest accruing to the benefit of each Participant at the Interest Rate until it is spent for the 200 MGD Project Costs. Funds from the account may be spent by the Managing Participant only for 200 MGD Project Costs.

Within 90 days of the formal acceptance of the completed construction of the 200 MGD Project by the Managing Participant City Council, the Managing Participant Director shall cause an accounting to be made of the 200 MGD Project Cost. A copy of the accounting shall be delivered to each Participant within ten days after its completion. Additionally, within 30 days after completion of the accounting, the Managing Participant shall engage an independent certified public accounting firm from a selection of no more than three prequalified firms selected by the Operating Advisory Committee to audit the Managing Participant's accounting. As soon as the firm has completed the audit, the Managing Participant shall submit the audit to all Participants.

The audit scope must be approved by the Operating Advisory Committee and, at a minimum, shall state the difference between the estimated 200 MGD Project Cost paid by each Participant, and each Participant's actual share of the 200 MGD Project Cost and must be in accordance with good accounting practices and principles. If a Participant's share of the 200 MGD Project Cost, as determined by the audit, is less than the share paid by the Participant of

the 200 MGD Project Cost, resulting in an overpayment by the Participant of its share, the Managing Participant shall refund such difference with interest accrued, at the Interest Rate compounded quarterly from the date deposited to the date of payment, to such Participant within 90 days of the date of the receipt of the audit. If a Participant's share of the 200 MGD Project Cost, as determined by the audit, is more than the share of the 200 MGD Project Cost paid by the Participant, resulting in an underpayment by such Participant of its share, the Participant shall pay such difference, with interest determined at the Interest Rate compounded quarterly from the date payment is required to the date of payment, to the Managing Participant within 90 days of the date of the receipt of the audit by the Participant. Any of the Participants who disagree with the audit shall have the right to pay any amounts under protest and seek refunds, plus reasonable attorneys fees and court costs, in a court of appropriate jurisdiction or pursue any other available remedy at law or in equity.

If the Participant does not pay its underpayment within such 90 day period, the Managing Participant shall pay same and the Participant's Demand Allocation Factor shall be reduced, and the Managing Participant's Demand Allocation Factor shall be increased, to reflect the percentage deficit of the payment. The reduction in the Demand Allocation Factor shall be determined by dividing the amount owed by the amount previously paid, with the resulting percentage used to reduce the existing Demand Allocation Factor.

ARTICLE V.

SUBSTANTIAL COMPLETION

When the Managing Participant Director gives the construction contractor notice of Substantial Completion for the 200 MGD Project, the Managing Participant shall notify each

Participant Director within ten business days thereafter and designate a day for the initial operation of Plant at 200 MGD firm capacity.

ARTICLE VI.

ACCESS TO PLANT AND RECORDS

The Managing Participant shall provide the Participants full access to the Plant and to the books and records of the Plant, including the 200 MGD Project, during all regular working hours, including all engineering reports, design specifications, change orders, correspondence, plant accounts, construction plan accounts or any other written document or instruction associated with or pertaining to the construction of the Plant and the 200 MGD Project.

ARTICLE VII.

UNTREATED WATER COSTS; CERTAIN AMENDMENTS REGARDING ANNUAL O&M BUDGET

A. Participants that have increased their Demand Allocation (City of Friendswood, Clear Brook City Municipal Utility District, City of Pasadena, and Gulf Coast Water Authority) may pay the Managing Participant's standard contract rates for untreated water currently described in the City of Houston Code of Ordinances Section 47-85 as amended from time to time for "Other Project Water" produced by the 200 MGD Project (an "Other Project" is defined in Section 3.7 of the Restated Agreement). "Other Project Water" shall include all gallons in excess of 6022.5 million gallons per year taken by the Gulf Coast Water Authority, and all gallons in excess of 547.5 million gallons per year taken by the Clear Brook City Municipal Utility District, all gallons in excess of 8,577.5 million gallons per year taken by the City of Pasadena and all gallons in excess of 2,190 million gallons per year taken by the City of Friendswood. Payment

of the Managing Participant's standard contract rates for untreated water shall be referenced herein as the "Other Projects Untreated Water Payment".

Alternatively, each Participant that has increased its Demand Allocation may elect to pay an Existing Capital Charge, New Debt Service Expenses, and Untreated O&M Expenses (as explained below), in lieu of making Other Projects Untreated Water Payments. Such payments shall be referenced herein as "Other Projects Alternative Untreated Water Payments". Each Participant that will be increasing its Demand Allocation must give the Managing Participant notice of its payment election in writing by the Participant within 2 months of the effective date of this Amendment. In the event no election is made by the Participant, the provisions for the Other Projects Alternative Untreated Water Payments shall apply.

Payments for the Participants that have increased their Demand Allocations and certain changes to their O&M Expense (Section 4.3 and Exhibits E" and "E" Pasadena) are as follows:

OTHER PROJECTS ALTERNATIVE UNTREATED WATER PAYMENTS

One Time Raw Water Capital Cost Payment

**Existing Capital:
Contribution** $(A_2/D_2 \times C)$

(To be paid 60 days after notice from the Managing Participant for the first delivery of water from the Plant expansion.)

Changes made to O&M Expenses under Restated Agreement

**New Debt
Service Expenses:
(for fiscal year)** $(A_2/D_1 \times E)$

(To be paid monthly for debt issued for new untreated water facilities.)

**Untreated Water
O & M Expense:** Same as provided in the Restated Agreement except delete the ' $(A/E \times D) \times (1 + H)$ ' term and the ' $(I \times F)$ ' term but add the term ' $(A_1/D_1 \times B)$ '

(To be paid monthly beginning 30 days after delivery of water beginning on the date the Plant expansion begins delivery of water.)

These New Debt Service Expenses and Untreated Water O & M Expense shall be paid and administered in accordance with procedures applicable to O & M Expense as provided in the Restated Agreement.

OTHER PROJECTS UNTREATED WATER PAYMENTS

For Participants who have selected the Other Projects Untreated Water Payments, O&M Expenses under the Restated Agreement shall be charged for the Other Projects Water they take by deleting the ' $(A/E \times D) \times (I + H)$ ' term and the ' $(I \times F)$ ' term, but add the term ' $(A_1 \times R)$ ' where R is the Managing Participants contract rate for untreated water.

As used herein:

"A₁" is the amount of treated water taken by a Participant during a fiscal year in excess of its Demand Allocation under the Restated Agreement.

"A₂" is 3,650 million gallons for the Gulf Coast Water Authority, 365 million gallons per year for the Clear Brook City Municipal Utility District, 6,022.5 million gallons per year for the City of Pasadena and 2,190 million gallons per year for the City of Friendswood.

"B" means all costs and expenses incurred by the Managing Participant (whether incurred by the Managing Participant through its own staff or by independent contractors) for the maintenance and operation of the untreated water facilities during the fiscal year, including, (i) chemicals, labor, power, testing, permits, insurance, and other related costs, necessary for the efficient maintenance and operation of the untreated water facilities as required under the Restated Agreement and all applicable regulatory requirements and the preparation of costs of the annual audit; (ii) necessary repairs and replacements to the untreated water facilities; and (iii)

improvements and betterments to maintain the untreated water facilities in proper operation and to comply with Restated Agreement and all applicable regulatory requirements. No cost to the Managing Participant's government not directly related to the maintenance and operation of the Untreated Water Facilities shall be included in factor "B".

"C" is the outstanding debt for all existing untreated water facilities listed in Exhibit letter "I" adjusted for the calendar year preceding substantial completion, but excluding any debt payments for existing untreated water facilities for which Participant has paid a capital contribution.

"D₁" is the total amount of surface water sold to the Managing Participant's water customers during the fiscal year. As defined herein, D₁ includes such raw water received at the Managing Participant water treatment plants as well as the billable quantity (including take-or-pay amounts as applicable) taken by the Managing Participant's untreated water customers, but excludes line loss by evaporation, leakage, etc.

"D₂" is the total amount of surface water sold to the Managing Participant's water customers during the Managing Participant's calendar year preceding substantial completion of the 200 MGD Project. As defined herein, D₂ includes the untreated water received at the Managing Participant's water treatment plants as well as the billable quantity (including take-or-pay amounts as applicable) taken by the Managing Participant's raw water customers, but excludes line loss by evaporation, leakage, etc.

"E" is the annual debt service paid by the Managing Participant for all new untreated water facilities for each fiscal year. As used herein "new untreated water facilities "means untreated water facilities such as reservoirs, canals, pipelines and water rights that convey or

store untreated water but are not listed in Exhibit "T" as well as improvements, repairs, or expenses for items listed on Exhibit "T", for which the Managing Participant issues new debt.

B. Section 3.4 of the Restated Agreement is amended to read as follows:

3.4.1 The Managing Participant shall submit for review to all Participants, not later than 60 days prior to the beginning of the Managing Participant's fiscal year, an estimated Annual Budget consisting of various departmental components that constitute the O&M expenditures. The components are described in greater detail in Exhibits "E", "E Pasadena" and "E LaPorte Area Water Authority" (see Restated Agreement). The estimated Plant production will also be provided, along with the breakdown of the production per Participant. The estimated Annual Budget and the estimated Plant production will be used to calculate the annual estimated cost per thousand gallons for the ensuing fiscal year. The final Annual Budget will be submitted to the Participants when the Managing Participant's City Council approves its yearly budget.

3.4.2 A majority of Participants by weighted vote may object to any specific item of the Annual O&M Budget. However, if such item is necessary for regulatory compliance, health, safety or security, it shall be excluded from this provision and the Participants shall continue to make payments for such item as provided by the Annual O&M Budget presented by the Managing Participant (or such amended Budget acceptable to the Managing Participant and the majority of the Participants by weighted vote). If such item is not necessary for regulatory compliance, health, safety or security, the payment made for such item shall be the amount the Participants by majority weighted vote decide and shall continue while the Participants pursue dispute resolution procedures as described herein.

3.4.3 During the first month after the objection to items of the Annual O&M Budget, the Participants shall pursue the dispute resolution procedures found in Section 5.15 of the Restated Contract.

3.4.4 If the Participants are still at an impasse one month after the vote objecting to item of the Annual O&M Budget, the Managing Participant shall procure a mediator acceptable to a majority of the Participants by weighted vote. If the Participants reach no agreement after mediation, then the amounts established above shall continue for the remainder of the Budget year unless amended by the majority of Participants by weighted vote, including the Managing Participant. All Participants shall make payment to the mediator as an O&M Expense.

3.4.5 As used herein "weighted vote" means a system of voting under which each Participant's vote is weighted in proportion to the amount of water it has taken in the prior 12 months under the Restated Agreement. Thus, for example, if A has taken 10% of all the water taken under the Restated Agreement, A is entitled to 10% of the voting strength. For voting purposes, no Participant's shall count for more than 49% regardless of the amount of water taken.

ARTICLE VIII.

COSTS FOR WATER LINE UPGRADE OR REPLACEMENT

It is anticipated that it will be necessary to replace one or more water lines joining the Treated Water Transmission Facilities to the points of delivery of many of the Participants due to an order of the Texas Department of Transportation that some of such facilities be removed from State right-of-way or easement or other upgrade/replacement of the lines. Costs for any such replacements, including the cost of real estate and right-of-way are the responsibility of the Participants using the affected water line, and the Managing Participant shall charge the

Participants for their share of costs of such facility based on each Participant's Distribution Allocation in such facility. Distribution Allocations under this Amendment for two of the lines are shown on Exhibit "G". Distribution Allocations for the Beamer Rd., the existing 42," the existing 24," and the 48" transmission lines are shown on Exhibit "I". The Managing Participant shall be responsible for constructing the replacement facility when it has secured adequate funding from the Participants.

ARTICLE IX.

INSURANCE

Section 5.1.4 of the Restated Agreement is deleted.

ARTICLE X.

ENTIRE AGREEMENT

The Restated Agreement and the Amendment are the entire agreement of the parties. In the event of any irreconcilable conflict between a provision of the Restated Agreement and this Amendment, the provision of this Amendment shall prevail to the extent of conflict only.

The parties have executed this Amendment in multiple copies, each of which is an original.

ATTEST/SEAL:

By: 

Name:

Title:

Pat Jones

City Secretary

CITY OF NASSAU BAY

By: 


Name:


Title:

JOHN D. KENNEDY
CITY MANAGER
CITY OF NASSAU BAY

ATTEST/SEAL:

GULF COAST WATER AUTHORITY

By: 
Name: John W. Knust
Title: Board Secretary-Treasurer

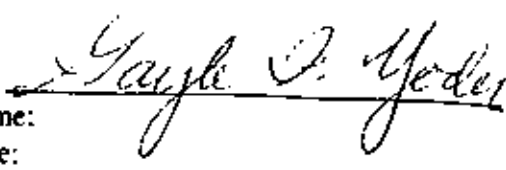
By: 
Name: W. W. Latimer
Title: Board President



ATTEST/SEAL:

CLEAR LAKE CITY WATER
AUTHORITY

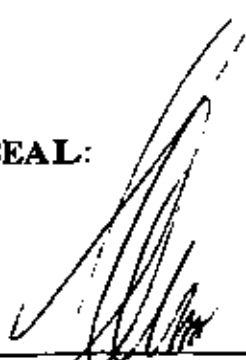
By: 
Name:
Title:

By: 
Name:
Title:

By: William L. Hymer, Jr.
Name: William L. Hymer, Jr.
Title: Secretary

By: [Signature]
Name: JIM B. BISHOP
Title: PRES

ATTEST/SEAL:

By: 
Name: Steve Valerius
Title: President

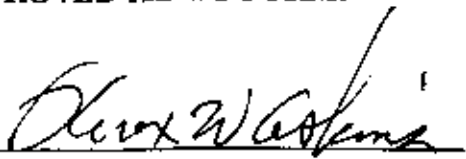
**THE LAPORTE AREA WATER
AUTHORITY**

By: 
Name: Chester Pool
Title: Secretary

By: 
Name: Alton E. Porter
Title: Mayor

By: 
Name: Martha A. Gillett
Title: City Secretary

APPROVED AS TO FORM:

By: 
Name: Knox W. Askins
Title: City Attorney

CITY OF LAPORTE

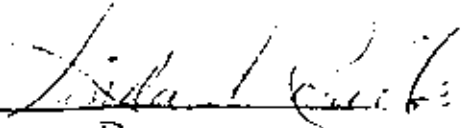
ATTEST/SEAL:

**HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 55**


By: B. D. Pitt
Name:
Title:

By: B. L. Squires
Name:
Title:

ATTEST/SEAL:

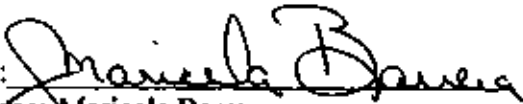
By: 
Name: LINDA RORICK
Title: CITY SECRETARY


THE CITY OF PASADENA

By: 
Name: JOHN MANCOSKE
Title: MAYOR

ATTEST/SEAL:

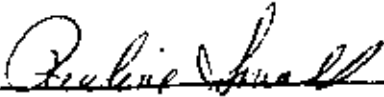
THE CITY OF SOUTH HOUSTON

By: 
Name: Maricela Barrera
Title: City Secretary
Date: 08/10/2007


By: 
Name: Joe Soto
Title: Mayor
Date Authorized: 08/08/2007
Date Executed: 08/10/2007

NOTE: This Agreement is executed on the condition that the City of South Houston shall have 5.5 years (66 months), interest free, to pay the \$261,000.00 detailed in Exhibits No. I & II.

ATTEST/SEAL:

By: 
Name: PAULINE SMALL
Title: City Secretary

THE CITY OF WEBSTER

By: 
Name: DENNIS ROGERS
Title: MAYOR

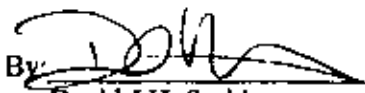
ATTEST/SEAL:

By: 
Deloris McKenzie, CMC
City Secretary

Date: 11/21/06



THE CITY OF FRIENDSWOOD

By: 
David J.H. Smith
Mayor

Date: 11/21/06

ATTEST/SEAL:


**BAYBROOK MUNICIPAL UTILITY
DISTRICT NO. 1**

By: *David A. Rivera*
Name: DAVID RIVERA
Title: SECRETARY


By: *David A. Corbin*
Name: DAVID A. CORBIN
Title: PRESIDENT



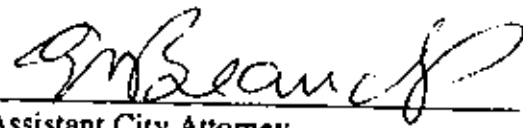
ATTEST/SEAL:


City Secretary

APPROVED:

BN of 
Director, Public Works and Engineering
Department

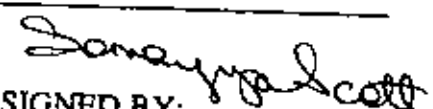
APPROVED AS TO FORM:


Assistant City Attorney
L.D. File No. 08000500059-01 to 011

CITY OF HOUSTON, TEXAS



Mayor


COUNTERSIGNED BY:


City Controller 

DATE COUNTERSIGNED:

9-27-07

**ADDENDUM TO OPERATIONS AND MAINTENANCE
FOR THE SOUTHEAST WATER PURIFICATION PLANT**

A. Operation and Maintenance Services by Managing Participant.

During the Service Term, the Managing Participant shall provide full time management, operation and maintenance for the Plant by means of the Managing Participant's employees. The Managing Participant shall operate and maintain the Plant in accordance with Attachment A-O&M Scope of Services and all applicable federal and state laws, regulations and permits.

B. Costs.

Cost of Services shall be calculated as provided in 3.4 and Exhibits "E", "E Pasadena" and "E La Porte Area Water Authority", except:

1. Treated water will be produced at an electrical efficiency of no more than 1100 kilowatt hours per million gallons treated, determined on an annual basis. Participants will not be required to make payment for electrical costs, on a per million gallon basis, in excess of this maximum usage. Should the annual average usage exceed the specified efficiency, reimbursement will be made by the Managing Participant in the annual operations and maintenance cost true up.
2. Treated water will be produced at an efficiency determined by the maximum treatment chemical usages per million gallons treated specified below (list), as determined on an annual average basis:

Ferric Sulfate – 300.0 lbs/MG

Lime – 150 lbs/MG

Caustic – 15 lbs/MG

Polymer – 30 lbs/MG

Fluoride – 30 lbs/MG (wet weight)

Aqueous Ammonia – 5.0 lbs/MG (dry weight)

Chlorine Ton Cylinder 30.0 lbs/MG (dry weight)

Participants will not be required to make payment for treatment chemicals in excess of the specified maximum usages. Should an annual average usage exceed the specified maximum usage, reimbursement for that cost will be made by the Managing Participant in the annual operations and maintenance cost true up

3. The Managing Participant shall provide the draft Annual O&M Budget at least 30 days prior to the beginning of the Managing Participant's fiscal year.

Exhibits "E", "E LaPorte" and "E Pasadena" are amended such that during the Service Term "Overhead Costs" shall include \$600,000 for the Managing Participant management, support and other indirect costs, but there shall be no percentage payment for "Total Contracted Water Services." Each fiscal year the Managing Participant may adjust the Overhead Costs by increasing this amount by no more than the increase in the CPI Index for the previous fiscal year. "CPI Index" means the U.S. Consumer Price Index for all Urban Consumers for the Houston-Galveston Brazoria Texas Metropolitan Area.

C. Fines and Liquidated Damages.

Any fines imposed by the Texas Department of Health, TCEQ, EPA or any other state or federal agency for non-attainment of drinking water quality, effluent discharge violations, or improper handling and disposal of the sludge or waste materials shall be entirely paid by Managing Participant.

In the event the Managing Participant believes the regulatory fine is unjustified because the excursion was caused by a Force Majeure or other reason, it is the Managing Participant's responsibility to contest the regulatory fine at its own expense.

The Operating Advisory Committee may withhold from payment as liquidated damages amounts as shown in Attachment A, Table [1] – Treated Water Quality Standards for exceedances of the specified water quality performance standards. Provided, however, the Operating Advisory Committee shall not impose liquidated damages (i) if the raw water exceeds the limits shown in Attachment A, Table [2] – Raw Water Parameters, and the Managing Participant demonstrates "best efforts" for water treatment; or (ii) the Managing Participant demonstrates that the exceedance was due to a Force Majeure.

(Each Participant shall be given credits for liquidated damages on the basis of its percentage share of total Demand Allocation in the Plant).

D. Term.

The Service Term shall begin June 1, 2006 and last for five years. The Service Term is automatically renewable for successive five-year terms unless either the Managing Participant Director or a majority of the Participant Directors gives six months' notice of non-renewal.

In addition, Participants may terminate the Service Term, if they can secure another service provider that can provide the same operation and maintenance services as described herein for a lower cost than the Managing Participant and obtain a two-thirds majority of Participants in favor of hiring the new service provider. No costs for the procurement of such replacement service provider shall be assessed against the Managing Participant.

Voting under this Section D shall be one vote for each Participant. Each Participant must show that the proper authority has approved its vote. The Managing Participant shall continue to

provide service under the service terms of this agreement until the contract for the new service provider is approved.

E. Close-Out

At the end of the Service Term, the Managing Participant shall return the Plant to its condition when Managing Participant commenced maintenance, less normal wear and tear during the Service Term. The Managing Participant shall ensure all equipment is fully operational in accordance with the manufacturer's equipment specifications. Managing Participant shall replenish inventory levels to the levels that existed at the time Managing Participant commenced its maintenance of the Plant.

ATTACHMENT A

O&M SCOPE OF SERVICES

1. General Requirements

The Managing Participant shall operate and maintain (O&M) the Treatment Facility and Water Facilities to ensure the ability to treat water up to the design capacity of the plant in compliance with all applicable laws and regulation. As described below, the Managing Participant shall be responsible for all aspects of operation and maintenance, including providing all labor, materials, and utilities necessary to treat up to the maximum design capacity of water daily. The amount of water treated by the Managing Participant shall be determined by the custody transfer flow meters located at the High Service Pump Station, as adjusted for in-plant uses (plant potable water - PPW) through flow meters FMT5101 and FMT 5102. The Managing Participant will assume the status of "generator," and will be responsible for the ultimate disposal of all sludge and waste residuals resulting from the contract activities. In addition, any lubricants or bulk chemicals proposed to be utilized at the Treatment Facility must comply with ANSI/NSF Standards 61 and 60, respectively.

2. Performance Standards

The Managing Participant shall be responsible for meeting the following performance standards:

- Meeting the Water Quality Performance Standards set forth in Schedule 1 of this Scope of Services.
- Performing all of the Managing Participant's obligations as set forth in this Scope of Services.
- Performing all related preventive maintenance in accordance with prudent industry standards.

3. Description of Managing Participant Responsibilities

The Managing Participant shall operate and maintain the Treatment Facility in accordance with all Applicable Law, the Scope of Services and Schedules 1 through 8 of this Attachment, and the Cost Sharing Agreement. The Managing Participant is required to provide all necessary corrective, preventative and predictive maintenance at the Treatment Facility and Water Facilities. The Managing Participant shall, at a minimum, perform the following preventative maintenance: (i) as required by the manufacturer of the equipment; and (ii) generally accepted engineering, operational and maintenance practices for a facility of this size, type and age.

The Managing Participant accepts without limitation the Treatment Facility in "as is" condition.

During the Service Term of the Cost Sharing Agreement, the Managing Participant shall be responsible for the operation and maintenance of the Treatment Facility. This will include providing the staff and materials necessary to ensure that the Treatment Facility is capable of and can produce up to the design capacity of water, 365 days per year.

ATTACHMENT A O&M SCOPE OF SERVICES

3.1 Transition Services

Upon receiving a notice to proceed, the Managing Participant shall implement a transition plan to begin to assume responsibility for the Treatment Facility. These transition services are intended to ensure that the Managing Participant is fully able to commence operations of the Treatment Facility on June 1, 2006. This shall include:

- Recruiting staff necessary to fill all positions required by the City of Houston Public Utility's staffing plan;
- Monitoring plant operations for at least 21 days on multiple shifts prior to assuming operational responsibility;
- Utilize the existing computerized maintenance management system that incorporates the specifications and requirements described in Section 3.3 below.
- Updating within sixty (60) days of the effective start date the Emergency Response Plan and a Risk Management Plan.
- Conducting an inventory and the quantities of materials, supplies, fuel and other consumables on site at the time service commences.

3.2 Operation

The Managing Participant will operate the Treatment Facility to ensure that it treats up to the plant design capacity of water each day as needed to supply sufficient flow and pressure to the OAC members. The Treatment Facility shall be operated in accordance with the Cost Sharing Agreement and attached Schedule 1. Operational decision making will reflect the following minimum objectives:

- Protecting public health and welfare;
- Protecting the health and safety of the plant operating staff;
- Complying with all applicable laws, rules, regulations and ordinances, including without limitation, City, State, and Federal water quality and supply requirements and safety requirements;
- Protecting the environment;
- Protecting and preserving the plant equipment and facilities; and
- Maximizing plant operational efficiency and minimization of operating costs.

The Managing Participant shall develop and implement procedures to ensure attainment of these goals. The Managing Participant shall comply with the Water Quality Performance Standards set forth in Schedule 1.

ATTACHMENT A O&M SCOPE OF SERVICES

The City of Houston Public Utility's responsibilities include, but are not necessarily limited to:

- Treating raw water and distributing potable water to the Co-Participants and the City of Houston distribution system in response to their demand requirements, in conformance to all applicable laws and the Cost Sharing Agreement;
- Providing a Texas Class "A" licensed Water Operator who will be in charge of the operation of the Treatment Facility. This operator will be a full-time employee dedicated solely to the Treatment Facility and will also be responsible during evening call-outs.
- Staffing the Treatment Facility in accordance with the City of Houston Public Utility's proposed staffing plan and at a minimum consistent with the requirements of the State of Texas. This shall include at least one Texas Class "B" licensed Surface Water Operator or higher onsite during each shift.
- Providing all materials, both durable and consumable, and supplies necessary to operate and maintain the Water Facilities, including but not limited to chemicals, utilities, residuals management, rolling stock, and consumables. The payment for all such items is described in the Cost Sharing Agreement;
- Maintaining: 1) a minimum water level in the ground storage tanks to satisfy all regulatory requirements; 2) discharge pressures from the Treatment Facility to meet all regulatory requirements; and 3) a goal of a minimum delivery point pressure of 35 psig at each Co-participant's delivery point.
- Add additional chemicals as needed to address periodic water quality problems;
- Obtain laboratory services to ensure compliance with all applicable law and to monitor and manage the treatment process. The Managing Participant will develop and implement an appropriate QA/QC plan for all such work
- The Managing Participant will be responsible for maintaining the lagoon in a condition such that it can be used for its intended purpose. Maintenance of the lagoon facility includes maintenance of all side slopes and removal of all rooted vegetation. The Managing Participant will be responsible for the proper handling and disposal of all materials removed from the lagoon.
- The Managing Participant is responsible for operating and maintaining the on-site monofill in compliance with the operating plan contained in the Permit Application and Site Development Plan for the Southeast Water Purification Plant Onsite Sludge Disposal Area, dated February 1992 and submitted to the Texas Department of Health as well as the current operating permit Number 03523. Furthermore, the Managing Participant will be responsible for maintaining the side slopes, vehicle road ramp as well as the paved road and sludge processing area. The Managing Participant will be responsible for pest and fire ant control at the sludge lagoon and monofill.

ATTACHMENT A O&M SCOPE OF SERVICES

- Responding immediately to emergency or disaster situations in a manner equal to or better than existing plans, and in accordance with the current "Emergency Operations Plan of the Department of Public Works and Engineering" and the approved Emergency Response and Risk Management plans.
- Providing emergency repair services to the Water Facilities and related infrastructure. This may include repairing main breaks and valves between the Treatment Facility and the points of delivery to each co-participant. The Managing Participant may subcontract that work to qualified firms, if deemed necessary. The Managing Participant may use its own labor to make the repairs.
- Conducting preventive maintenance on the Co-Participant delivery point locations including: maintaining fencing and security; grounds maintenance; and maintaining the valve vault, the flow control valves and the flow and pressure transmitters to the Treatment Facility when construction has been completed. The Managing Participant shall be responsible for the operation, maintenance and calibration of the flow control devices and the flow and pressure transmitters that transmit signals to the Treatment Facility. The Managing Participant shall be responsible for the operation, maintenance and calibration of the Co-Participant flow meters and flow transmitters that transmit signals to the City of Houston water billing department;
- Maintaining professional responsible working relationships with the Co-participants, regulatory authorities, material and service vendors, the media and the public.
- Providing and maintaining adequate security at all Treatment Facility facilities, systems, buildings, plants and equipment which is inside the fence line.
- Providing unrestricted access by the Co-participants to the Water Facilities to observe operations and evaluate the condition of said facility. This will include allowing the Co-participants to test and audit the performance of the equipment at Water Facilities.

3.3 Maintenance

The Managing Participant shall be responsible for all aspects of maintenance at the Water Facilities, including corrective, preventative, and predictive maintenance. This may include emergency repairs at the Water Facilities sites or to the mains and point of service connections, replacement of certain equipment and capital improvements. The Managing Participant shall use its professional judgement in determining what additional maintenance is appropriate and necessary.

The Managing Participant will be required to implement maintenance procedures to ensure attainment of the objectives set forth in this Scope of Services. This includes, at a minimum, responding to corrective maintenance needs in a timely and appropriate manner.

The Managing Participant shall provide necessary corrective, preventative and predictive maintenance for all systems, structures and equipment at the plant. In addition, the Managing Participant shall:

ATTACHMENT A O&M SCOPE OF SERVICES

- Perform all necessary preventive maintenance on installed cathodic protection at the Treatment Facility. All needed repairs must be made to ensure the integrity and operability of the system.
- Inspect annually all tanks and piping systems, including the ground storage tanks and clear well. Piping that is equipped with heat tracing shall be inspected prior to winter conditions, and repaired as necessary.
- Inspect annually, at a minimum, tank level indicators, including the two ground storage tanks, and calibrate and adjust the level indicator as necessary.
- Perform preventative maintenance on the 138 KV Substation, High and Medium Voltage Equipment as required by standard industry practice.
- Perform maintenance on all chlorine feed systems, including relief-valves, evaporators, and vacuum regulators on a bi-annual basis, per manufacturer's specifications. This shall include complete disassembly of the units and repair or replacement as necessary.
- Perform maintenance on flexible metal tubing used to connect chlorine supply cylinders to piping systems, according to manufacturer's and the Chlorine Institute's specifications, and replace on an annual basis or sooner if needed.
- Perform annual vibration analysis testing of critical mechanical equipment. The Managing Participant shall perform interpretation and analysis of test results and submit an evaluative written report in an approved format to the OAC, including necessary action plans. The Managing Participant shall promptly address any deficiencies identified in the testing report.
- Perform annual oil sampling of critical mechanical equipment. The Managing Participant shall perform interpretation and analysis of test results. The Managing Participant shall promptly address any deficiencies identified in the testing report.
- Inspect, maintain and test all backflow preventers within the Water facilities operated or maintained by the Managing Participant in accordance with Texas Commission on Environmental Quality (TCEQ) requirements, and at least annually perform calibration and testing.
- Perform maintenance on the on-site City of Pasadena Metering Station, which shall include all valves and flow meters.
- Touch up paint on any equipment or facilities as needed to minimize corrosion and maximize service life.
- Maintain the Sludge Lagoon and monofill free from excessive vegetation and overgrowth. The side slopes of the monofill will be maintained for stability and to prevent erosion.

ATTACHMENT A O&M SCOPE OF SERVICES

- Conduct annual infrared inspections of all motor control centers, transformers and motor connections greater than 60 hp.
- Perform periodic calibration of instruments in accordance with manufacturer's recommended procedures.
- Repair expansion joints to maintain integrity of concrete structures and prevent leaks.
- Operate, maintain and calibrate, or arrange for the operation, maintenance and calibration of the High Service Pump Station discharge custody transfer flow meters and the two in- plant potable water (PPW) flow meters FMT5101 and FMT 5102; and
- Operate, maintain and calibrate, or arrange for the operation, maintenance and calibration of the off-site Co-Participant's flow meters and the flow transmitters that transmit signals to the City of Houston's water billing department. The Managing Participant shall be responsible for the operation, maintenance and calibration of the flow control devices and the flow and pressure transmitters that transmit signals to the Treatment Facility.
- The Managing Participant will be responsible for maintaining the physical facilities of the Treatment Facility. This will include at a minimum:
 - All spare parts, materials and supplies shall be stored in an orderly manner;
 - Regular pest control including fire ant control;
 - As needed pest control for capture and removal of wild hogs and any other pest animals which may cause destruction of property or endanger treatment processes;
 - Repair of all plumbing and piping leaks and failures;
 - External cleaning, such as pressure washing of the ground storage tanks and similar facilities as needed;
 - Walls will be cleaned and touch up paint applied as necessary
 - Tile walls will be washed as needed;
 - Repair of cracks or spalled concrete and expansion joints;
 - Railroad track beds and fence lines will be treated with herbicides as necessary to prevent weed growth;
 - Weed control will be performed in paved areas to keep cracks and joints clear of vegetation;

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- Grass and landscaped areas will be maintained in an attractive, neat manner, which may be used for open houses and plant tours. For purposes of this section, maintenance of the ditch along the southerly side of the property, outside the fence is included;
- Grass will be mowed as needed during the growing season from April through November 15th of each year; and
- Grass will be mowed and weed control will be performed on a regular basis at the Co-Participant delivery point locations.

3.4 Reporting Requirements

All reports and data shall also be saved in electronic format. The reports at a minimum shall include:

- A monthly operations report summarizing daily raw water quality, finished water quality, staffing changes, chemical and utility usage, maintenance activities, (summary of preventative maintenance projects started, completed, backlogged, corrective maintenance activities undertaken), sludge production, sludge disposal locations and such other information appropriate for the OAC to understand performance, operations and maintenance at the Treatment Facility. Sludge that is taken off-site must be disposed of at facilities that are properly operated and licensed by the State to accept such sludge. Sludge disposal manifests must be maintained on-site during the entire period of this Agreement.
- Monthly list of the warranty status of any warranties for components purchased and installed by the Managing Participant or a third party.
- A monthly report of the actual chemical purchases and invoiced amounts for any chemicals utilized at the Water Facilities.
- Quarterly report summarizing maintenance activities completed in the last quarter and scheduled to be undertaken for the upcoming quarter. This should also include proposed repair and replacement projects.
- Annual report summarizing the operations over the previous year, major issues moving into the upcoming year, including but not limited to recommended modifications or improvements to the facility, anticipated modifications enhancements to maintenance procedures.
- Any reports required of water producers under applicable law.
- Any reports requested by the OAC to verify operation and maintenance issues, or document special circumstances.

ATTACHMENT A O&M SCOPE OF SERVICES

SCHEDULE 1

Treated Water Quality Performance Standards

PURPOSE

The purpose of this schedule is to identify the Treated Water Quality Performance Standards that the Managing Participant is required to meet.

WATER TREATMENT REQUIREMENTS

All analytical methods used to demonstrate compliance shall be according to approved methods by EPA. In the event that a particular parameter does not have a method approved by EPA, methods currently accepted by the industry shall be used.

The Managing Participant shall operate the SEWPP in such a manner that the SEWPP will produce Treated Water that is in compliance with all applicable laws, rules and regulations. The requirements were developed to maintain consistency with current internal requirements, minimize public health risks, allow for flexibility to meet future regulations and eliminate or reduce the need for major modifications to the SEWPP in the near future.

SAMPLING AND ANALYSIS

1. The Managing Participant will ensure performance of all sampling, analysis and record keeping required by USEPA and the TCEQ. Managing Participant will be responsible for all monitoring, up to and including the point of entry into the distribution system. USEPA and TCEQ approved laboratory procedures will be followed.
2. For any analytical laboratory work performed at an outside or offsite laboratory, the Managing Participant shall use an approved testing laboratory.
3. The Managing Participant will be responsible for compliance with all currently effective monitoring requirements as well as those becoming effective during the Service Term of the Cost Sharing Agreement. The Managing Participant will perform other tests for process control as necessary.

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O&M SCOPE OF SERVICES

SCHEDULE 1

Treated Water Quality Performance Standards

4. Compliance monitoring parameters which are currently effective and required at the SEWPP (Entry Point 002 in PWS ID No. 1010013) include the list of samples and analyses outlined in a document titled, *"Drinking Water Samples to be collected by the TCEQ in 2000,"* These samples are collected and analyzed by TCEQ personnel. The Managing Participant will be responsible for all labor costs associated with annual compliance monitoring.
5. Also included in the current required monitoring are all parameters associated with the Surface Water Treatment Rule (SWTR).
6. Current TCEQ approved T_{10} values, shall be used when calculating the CT value.
7. Managing Participant is responsible for all costs associated with the sampling, analysis, report completion and submission.
8. Lead and Copper Rule compliance monitoring at the SEWPP includes bi-weekly monitoring and reporting of the following Water Quality Parameters at the point of entry into the distribution system. The lead and copper rule related water quality parameter report is to be completed by the 10th day of the month following the quarterly reporting period.
 - a. Alkalinity as CaCO_3
 - b. pH
 - c. Calcium as Ca
 - d. Conductivity
 - e. Temperature
9. Radionuclides are sampled by TCEQ every four (4) years at each point of entry on a quarterly schedule. The SEWPP will be sampled during a total of eight (8) quarters in two (2) different years during the Service Term of the Cost Sharing Agreement. These analyses include:
 - a. Gross Alpha
 - b. Total Radium
 - c. Radium 226
 - d. Radium 228
 - e. Total Uranium
 - f. Gross Beta

ATTACHMENT A O&M SCOPE OF SERVICES

SCHEDULE 1

Treated Water Quality Performance Standards

10. In addition to all other compliance related monitoring, the Managing Participant will be responsible for the following analyses of record.

Analysis/Report	Frequency
1. Complete chemical analysis report	Biweekly
2. Heterotrophic plate counts at each process through distribution:	
A. Settled	Weekly
B. Filtered	Weekly
C. Distribution (see Table 1 – Item 15 for limits)	Daily
D. Raw	Daily
3. Total Coliform Counts	
A. Raw	Daily
B. Settled	Weekly
C. Filtered	Weekly
D. Distribution (see Table 1 – Item 14 for limits)	Daily
4. Giardia and Cryptosporidium	Monthly
A. Raw	
B. Distribution (see Table 1 – Items 27 and 28 for limits)	
5. Algae Counts and Enumeration	Biweekly
A. Raw	
B. Distribution (see Table 1 – Item 24 for limits)	
6. Trihalomethanes	
A. Distribution	Biweekly
7. Trihaloacetic Acids (HAA ₅) (see Table 1 – Item 26 for limits)	
A. Distribution	Biweekly

ATTACHMENT A O&M SCOPE OF SERVICES

SCHEDULE 1

Treated Water Quality Performance Standards

11. Process control monitoring will be performed by Managing Participant at a minimum of the following grab sample tests and frequencies.

Parameter/Location	Frequency
1. pH	Every 4 hours
A. Raw (Once/day)	
B. Settled	
C. Filtered	
D. Distribution (see Table 1 – Item 18 for limits)	
2. Turbidity:	Every 4 hours
A. Raw (Once/day)	
B. Settled (see Table 1 – Item 3 for limits)	
C. Clearwell (see Table 1 – Item 1 for limits)	
D. Individual Filters (see Table 1 – Item 2 for limits)	
3. Alkalinity	Daily
A. Raw	
B. Settled	
C. Filtered	
D. Distribution	
4. Jar Tests Using D/DBP protocol to establish diminishing returns for TOC.	Weekly
5. T.O.N.	Daily, Mon-Fri
A. Raw	
B. Distribution (see Table 1 – Item 30 for limits)	
6. Hardness	Daily
A. Raw	
B. Settled	
C. Filtered	
D. Distribution	
7. True Color (City of Houston Method)	Daily
A. Raw	
B. Settled	
C. Filtered	
D. Distribution (see Table 1 – Item 31 for limits)	

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Parameter/Location	Frequency
8. Fluoride	Daily
A. Distribution (see Table 1 – Item 21 for limits)	
9. Filter Profile (Each filter element)	Weekly
10. Chloride	Daily
A. Raw	
B. Distribution	
11. Calcium	Daily
A. Raw	
B. Distribution	
12. Ammonia	Daily
A. Raw - Total	
B. Distribution – Free (see Table 1 – Item 28 for limits)	
13. Chlorine Residual – Free and Total	Every 4 hours
A. Raw	
B. Settled	
C. Filtered	
D. Distribution (see Table 1 – Item 13 for limits)	

ATTACHMENT A **O&M SCOPE OF SERVICES**

TABLE 1 – TREATED WATER QUALITY STANDARDS

Parameter	Point of Compliance	Value (1)	Monitoring Frequency	Reporting Frequency or Reason Data Needed	Monitoring Responsibility	Water Treatment Performance Standard Subject to Liquidated Damages up to a Maximum of \$10,000/day Total	Water treatment Monitoring and Reporting Requirement Subject to Liquidated Damages up to a Maximum of \$1,000/day Total
1. Turbidity	Cleanwell	Less than 0.100 NTU, more than 95% of the 15 minute intervals. Less than 0.300 NTU 100% of the time.	Continuously	15 minute interval readings, report daily	Certified Operator	X	
2. Turbidity	Individual filter effluent lines	Less than 0.100 NTU more than 95% of the 15 minute intervals, less than 0.300 NTU 100% of the time.	Continuously	15 minute intervals	Certified Operator	X	
3. Turbidity	Individual filter effluent lines	A maximum of 0.300 NTU spike following a filter backwash and recovery to less than 0.100 NTU within 15 minutes from initiating filter operations	Within 15 minutes following a filter backwash and recovery	Intervals not exceeding one minute, report daily	Certified Operator	X	
4. Turbidity	Sedimentation Basin effluents	Daily average of less than 2.00 NTU at all lines for the combined basin effluent	4 hour intervals	Daily Average Report	Certified Operator	X	
5. Giardia and virus inactivation	High Service Pump Station discharge	Surface Water Treatment Rule requires a total of 3 log Giardia and virus (4 log) removal/inactivation Provide a minimum of .5 log Giardia and a 2-log virus inactivation using disinfectant residual	Daily Daily	Daily for demonstration of CT compliance for each parameter	Certified Operator	X	
6. Temperature	Raw Water	Degrees C	Daily	Lowest value each day for CT calculation	Certified Operator		X

ATTACHMENT A **O&M SCOPE OF SERVICES**

Parameter	Point of Compliance	Value (1)	Monitoring Frequency	Reporting Frequency or Reason Data Needed	Monitoring Responsibility	Water Treatment Performance Standard Subject to Liquidated Damages up to a Maximum of \$10,000/day Total	Water Treatment Monitoring and Reporting Requirement Subject to Liquidated Damages up to a Maximum of \$1,000/day Total
7. Peak Hour Flow	High Service Pump Station discharge	MGD	Daily	Highest value each day for CT calculation	Certified Operator		X
8. Disinfectant residual	Each Disinfection Zone	Report	Continuous	Lowest value each day for CT calculation	Certified Operator		X
9. TOC- Raw Water	Prior to chemical addition	Report	Monthly	Enhanced coagulation compliance	TOCQ Approved Laboratory	X	
10. TOC- Raw Water	Influent to Treatment Module	Report	Weekly	Enhanced coagulation compliance	TOCQ Approved Laboratory		X
11. TOC- Treated Water	High Service Pump Station Discharge	Report	Monthly	Enhanced coagulation compliance	TOCQ Approved Laboratory	X	
12. TOC- Treated Water	High Service Pump Station Discharge	Report	Weekly, Actual Plant	Enhanced coagulation compliance	TOCQ Approved Laboratory		X
13. Chlorine Residual Combined	High Service Pump Station discharge	2.50 mg/l (minimum) to 3.90 mg/l (maximum), +/-0.10 mg/l and sufficient concentration to meet CT requirements of the Surface Water Treatment Rule (SWTR). Owner will have the option to specify a free residual of up to 3.50 mg/L on an intermittent basis under emergency conditions to address microbiological problems in the transmission and distribution system or in response to treatment process needs	Continuous as specified by Owner	Grab samples Daily	Certified Operator	X	

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14. Total Coliform	High Service Pump Station discharge	Not detected 100% of time. In compliance when sample result is negative. If initial test is positive, in compliance when confirmation test is negative.	Daily	Daily based on grab samples	TCEQ approved laboratory	X	
15. Heterotrophic Plate Count (HPC)	High Service Pump Station discharge	Less than 25 colony forming units; R2A; 5 days, 28 degree C; or other method approved by Owner	Daily		TCEQ approved laboratory	X	
16. Fecal Coliform	High Service Pump Station discharge	Not detected 100% of time. In compliance when sample result is negative. If initial test is positive, in compliance when confirmation test is negative.	Daily	Daily based on grab samples	TCEQ approved laboratory	X	
17. pH	High Service Pump Station discharge	Maintain pH greater than 0.00 to 0.20 + Stability pH (pHs) not exceeding a pH of 8.60.	Continuously	Daily	Certified Operator		X
18. pH	High Service Pump Station discharge	Report	Daily	Daily grab samples	Certified Operator		X
19. Alkalinity	High Service Pump Station discharge	See Langelier Index requirements	Daily	Daily	Certified Operator		X
20. Manganese	High Service Pump Station discharge	Less than 0.050 mg/L	Once Per Month	Once Per Month	TCEQ approved laboratory		X
21. Iron	High Service Pump Station discharge	Less than 0.200 mg/L	Once Per Month	Once Per Month	TCEQ approved laboratory		X
22. Fluoride	Cleanwell	0.850 +/-0.100 mg/L	Continuous	Once per day	Certified Operator		X
23. Arsenic	Raw Water	Report	Monthly	Monthly	TCEQ approved laboratory		X
	High Service Pump Station discharge	Report	Monthly	Monthly	TCEQ approved laboratory		X
24. TTHMs	High Service Pump Station discharge	Less than 54.0 ug/L daily max.	Twice per month	Twice per month	TCEQ approved laboratory	X	

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25. HAA5	High Service Pump Station discharge	Less than 48.0 ug/L daily max.	Twice per month	Twice per month	TCEQ approved laboratory	X	
26. Glardia (2)	High Service Pump Station discharge	Report	Monthly	Monthly grab samples	EPA Method 1623 or most current method		X
27. Cryptosporidium (2)	High Service Pump Station discharge	Report	Monthly	Monthly grab samples	EPA Method 1623 or most current method		X
28. Free Ammonia	Plant Influent	Report	Daily	Reported daily	Certified Operator		X
	High Service Pump Station discharge	No more than a 0.500 mg/L as N increase over plant influent value	Daily	Reported daily			X
29. Nitrite	Plant Influent	Report	Twice a month	Twice a month	Certified Operator		X
	High Service Pump Station discharge	No more than a 0.500 mg/L increase over plant influent value	Twice a month	Twice a month			X
30. Threshold Odor Number	High Service Pump Station discharge	Less than 2.0 T.O.N. 100% of time	Daily during odor event otherwise Weekly	Daily during odor event otherwise Weekly	Certified Operator		X
31. True Color	High Service Pump Station discharge	Less than 5.0 Pt Co Units 100% of the time	Daily	Daily	Certified Operator		X

(1) Absence of data to demonstrate compliance with these requirements shall be assumed to be non-compliance unless Managing Participant can demonstrate that the performance was met and that every reasonable effort has been made to maintain and/or restore the collection of data.

(2) Sufficient sample must be analyzed to ensure laboratory achieves detection limit below any current or future regulatory trigger.

Analysis procedures shall meet the following criteria:

1. Analysis for Cryptosporidium to be completed by a method and laboratory approved by the U.S. EPA and City of Houston.

Note: TOC analysis method with a detection limit of 0.5 mg/L.

ATTACHMENT A O&M SCOPE OF SERVICES

SCHEDULE 1

Treated Water Quality Performance Standards

TABLE 2

RAW WATER QUALITY TREATMENT PARAMETERS¹

Parameter	Minimum Value	Maximum Value
Turbidity - NTU	1	120
Alkalinity - mg/l as CaCO ₃	60	150
Hardness - mg/l as CaCO ₃	60	150
pH - pH scale	7.0	8.5
Chloride - mg/L	60.0	10.0
Temperature - °C	5	35
Fluoride - mg/L	0.1	1.2
Calcium - mg/L as Ca	10.0	55.0
Magnesium - mg/L	1.0	6.0
UV _{254 nm} - cm ⁻¹	<0.01	0.60
Color - co-pt unit	1	40
Conductivity - umhos/cm	100	500
Total Iron mg/L	<0.03	3.0
Sodium - mg/L	5.0	50.0
Potassium - mg/L	1.0	6.0
Total Manganese - mg/L	<0.01	0.30
Total Iron - mg/L	<0.03	2.50
Bromide - mg/L	<0.01	0.30
Total Organic Carbon - mg/L	1.0	15
Total Dissolved Solids (Calc.) - mg/L	100	350
Sulfate - mg/L	2	50
Nitrate (N) - mg/L	0	2
Total Phosphate (P) - mg/L	<0.01	1.5

Notes:

- Any raw water quality parameter not listed in this table must be demonstrated at the City of Houston Public Utility's expense to result in a condition such that the Treatment Facility is not capable, despite "best efforts", including but not limited to addition of chemicals, of meeting one or more of the water quality standards specified in Table 1.
- These values are provided only for the purposes of determining whether credits shall apply for exceedance of any water quality performance standard described in Table 1.

ATTACHMENT A O&M SCOPE OF SERVICES

SCHEDULE 1

Treated Water Quality Performance Standards

TABLE 2

RAW WATER QUALITY TREATMENT PARAMETERS¹

Parameter	Minimum Value	Maximum Value
Turbidity - NTU	1	120
Alkalinity - mg/l as CaCO ₃	60	150
Hardness - mg/l as CaCO ₃	60	150
pH - pH scale	7.0	8.5
Chloride - mg/L	60.0	10.0
Temperature - °C	5	35
Fluoride - mg/L	0.1	1.2
Calcium - mg/L as Ca	10.0	55.0
Magnesium - mg/L	1.0	6.0
UV _{254 nm} - cm ⁻¹	<0.01	0.60
Color - co-pt unit	1	40
Conductivity - umhos/cm	100	500
Total Iron mg/L	<0.03	3.0
Sodium - mg/L	5.0	50.0
Potassium - mg/L	1.0	6.0
Total Manganese - mg/L	<0.01	0.30
Total Iron - mg/L	<0.03	2.50
Bromide - mg/L	<0.01	0.30
Total Organic Carbon - mg/L	1.0	15
Total Dissolved Solids (Calc.) - mg/L	100	350
Sulfate - mg/L	2	50
Nitrate (N) - mg/L	0	2
Total Phosphate (P) - mg/L	<0.01	1.5

Notes:

1. Any raw water quality parameter not listed in this table must be demonstrated at the City of Houston Public Utility's expense to result in a condition such that the Treatment Facility is not capable, despite "best efforts", including but not limited to addition of chemicals, of meeting one or more of the water quality standards specified in Table 1.
2. These values are provided only for the purposes of determining whether credits shall apply for exceedance of any water quality performance standard described in Table 1.

EXHIBIT C1 (200 mgd)

SCHEDULE OF ACTUAL AND ESTIMATED COSTS FOR PLANT

SEWPP Expansion Costs	Firm 200 MGD		Enhancements (existing 120) mgd capacity only		Total New Construction		Enhancements 200 mgd	60 mgd Expansion	Enhancements 120 mgd	Total
	New Construction	Existing Facilities	New Construction	Existing Facilities	New Construction	Existing Facilities				
Forebay										
Existing Raw Water Modifications	\$ 533,997	\$ 623,088	\$ 800,966	\$ (823,088)	\$ 1,334,963	\$ 1,334,963	\$ 1,334,963			\$ 1,334,963
New Raw Water Pipeline	1,269,163				1,269,163			1,269,163		1,269,163
TM No 1 & Lift Stations 1 & 2	\$ 1,189,491				1,189,491			1,189,491		1,189,491
Treatment Module #2	17,269,339				17,269,339			17,269,339		17,269,339
Chemical Feed Facility (Disinfection)	12,996,804	258,661		(258,661)	12,996,804			12,996,804		12,996,804
New Ground Storage Tank	8,773,994				8,773,994			8,773,994		8,773,994
Existing Ground Storage Tank Modifications			2,946,173		2,946,173				2,946,173	2,946,173
Filtration/Cleanwell & Filter Complex B	10,533,623				10,533,623			10,533,623		10,533,623
New Transfer Pump Station No. 2	10,578,790				10,578,790			10,578,790		10,578,790
Transfer Pump Station No. 1 Modifications			124,458		124,458				124,458	124,458
High Service Pump Station (Exh D1)										
Clarifier		192,729		(192,729)						
Backwash Waste Pump System	2,874,527				2,874,527			2,874,527		2,874,527
Sludge Processing Facility	2,011,677	249,437		(249,437)	2,011,677			2,011,677		2,011,677
Overflow Basin & Sludge Lagoon		824,135		(824,135)						
Generator Installation	203,986		306,978		509,964		509,964			509,964
Plant Security	3,346,004		5,019,006		8,365,009		8,365,009			8,365,009
Fire Alarm System		2,544,906	752,197	(2,544,906)					752,197	752,197
Operations Building & Electrical Subst.										
Control/Electrical Complex (Architect.)	4,343,486				4,343,486			4,343,486		4,343,486
Instrumentation and Controls	2,559,669				2,559,669			2,559,669		2,559,669
Subtotal	\$ 78,484,350	\$ 4,692,954	\$ 9,948,908	\$ (4,692,954)	\$ 88,433,358	\$ 88,433,358	\$ 10,209,969	\$ 74,400,584	\$ 3,822,828	\$ 88,433,358

EXHIBIT C1 (200 mgd)

SCHEDULE OF ACTUAL AND ESTIMATED COSTS FOR PLANT

	Firm 200 MGID		Enhancements (existing 120 mgd capacity only)		Total New Construction	Enhancements		Expansion		Total
	New Construction	Existing Facilities	New Construction	Existing Facilities		200 mgd	120 mgd	60 mgd	120 mgd	
SEWPP Expansion Costs										
Engineering										
Cost Allocation Analysis	\$292,674		\$37,100		\$329,774	\$38,074		\$277,445	\$14,256	\$329,774
Storm Sewer System Hydraulic Anal	49,815		8,315		58,130	6,480		47,223	2,428	56,130
Facility Expansion Evaluation	390,500		-		390,500	-		390,500	-	390,500
Programming	900,000		300,000		1,200,000	-		900,000	300,000	1,200,000
O&M Training										
Regulatory Issues										
UVT Testing										
CT Analysis	27,186		-		27,186	-		27,186	-	27,186
CFD Modeling (GST's & UV Inlet)	45,696		5,792		51,488	5,944		43,318	2,226	51,488
Geotechnical	131,339		-		131,339	-		131,339	-	131,339
Surveying	80,157		-		80,157	-		80,157	-	80,157
Stormwater Pollution Prevention	20,471		-		20,471	-		20,471	-	20,471
Technical Review Committee	21,300		2,700		24,000	2,771		20,192	1,037	24,000
UV Pilot Testing	7,435		945		8,400	970		7,067	363	8,400
Filter Pilot Testing	223,500		-		223,500	-		223,500	-	223,500
Air Stripping for pH	155,312		19,688		175,000	20,204		147,231	7,565	175,000
Wetlands Delineation	21,032		-		21,032	-		21,032	-	21,032
Electrical Services	370,500		-		370,500	-		370,500	-	370,500
Pump Station Surge Model										
Co-Participant Flow Control Valve										
Sediment Disposal Site										
Bid-Document Reproduction										
Tracer CT Study										
Record Drawings	355,000		45,000		400,000	46,182		336,527	17,291	400,000
Balance of Amendment #2 - Basic S	1,030,637		130,645		1,161,282	134,074		977,007	50,200	1,161,282
Balance of Amendment #2 - Additio	1,896,362		239,118		2,125,480	245,395		1,788,204	91,881	2,125,480
Phase I Preliminary Design	3,698,767		468,968		4,168,755	481,298		3,507,248	180,208	4,168,755
Phase I Final Design	2,123,045		269,120		2,392,165	276,185		2,012,571	103,409	2,392,165
Balance of Amendment #1 - Basic S	7,063,610		865,383		7,959,002	918,897		6,896,051	344,055	7,959,002
Lab Tests, Legal, City Const Mgr.	5,324,996		675,004		6,000,000	692,723		5,047,907	258,970	6,000,000
Construction Management (Estimate)	\$24,220,355		\$3,085,806		\$27,316,161	\$2,668,197		\$23,072,676	\$1,374,288	\$27,316,161
Subtotal Construction + Engineering	\$ 102,704,905	\$ 4,682,954	\$ 13,044,614	\$ (4,682,954)	\$ 115,749,519					
Additional Capital Allocations Recoupment	3,009,957				3,009,957					
Refractive CWA Debt Service (Exhibit C2)										
Total	\$ 105,714,862	\$ 4,682,954	\$ 13,044,614	\$ (4,682,954)	\$ 118,759,476	\$ 13,079,163	\$ 5,187,116	\$ 97,473,240	\$ 5,187,116	\$ 115,749,519
Capacity per Component	80,000,000	80,000,000	120,000,000	120,000,000						
Cost per Gallon - Construction and Engine	\$ 1,2839	\$ 0.0567	0.1087	(0.0391)						
Cost per Gallon - Recoupment	\$ 0.0376									
Cost per Gallon - CWA Debt Service										
Cost per Gallon - Total	\$ 1.3214	\$ 0.0567	\$ 0.1067	\$ (0.0391)						

CALCULATION OF UNRECOVERED ORIGINAL CAPITAL COSTS

	Original Cost	B/E/W/P Cost (72%)	Original Allocation %	Original Allocation \$	Jun-00 Allocation %	Jun-00 Allocation \$	Jun-00 Increased \$	New Allocation %	New Allocation \$	New Allocation Increased \$
Raw Water Supply:										
Pipeline CWA - 80" Pipeline	\$ 14,397,630	\$ 14,397,630	60.250	\$ 4,597,706	129.250	\$ 7,241,390	\$ 2,643,684	210.250	\$ 11,494,264	\$ 4,252,878
Pump Station, CWA	21,281,056	7,492,063	225.225	7,492,063	225.225	7,492,063	-	225.225	7,492,063	-
	\$ 35,678,686	\$ 21,889,713		\$ 12,089,769		\$ 14,733,453	\$ 2,643,684		\$ 18,987,147	\$ 4,252,878
Treatment Plant (B/E/W/P):										
Land Acquisition	\$ 6,676,192	\$ 4,872,860	60.750	\$ 519,775	120.750	\$ 779,662	\$ 259,887	200.750	\$ 1,298,437	\$ 519,775
Site Cleanup	1,149,372	-	0	-	0	-	-	0	-	-
Engineering	606,236	442,554	60.750	47,206	120.750	70,809	23,603	200.750	118,014	47,206
Preliminary	145,660	106,332	60.750	11,342	120.750	17,013	5,671	200.750	28,355	11,342
Spring Study	6,285,145	4,586,157	60.180	2,894,078	60.180	2,894,078	-	160.180	4,586,157	-
Final Design - 160 mgd	2,862,423	1,965,469	60.650	1,965,469	60.650	1,965,469	-	60.650	1,965,469	-
Final Design - 80 mgd	726,232	531,669	60.650	531,669	60.650	531,669	-	60.650	531,669	-
Construction	80,393,537	58,867,265	60.650	58,867,265	60.650	58,867,265	-	60.650	58,867,265	-
Construction Mgt.	1,689,590	1,236,007	60.750	132,264	120.750	200,770	74,260	200.750	343,891	132,260
138 KV Electric	6,102,064	4,434,507	60.650	4,434,507	60.650	4,434,507	-	60.650	4,434,507	-
Audit Fees	26,150	25,150	60.650	25,150	60.650	25,150	-	60.650	25,150	-
	\$ 106,086,664	\$ 78,911,834		\$ 83,666,450		\$ 69,031,862	\$ 383,442		\$ 72,041,849	\$ 2,009,937
Total Raw Water Supply and B/E/W/P	\$ 142,127,770	\$ 98,772,647		\$ 107,332,909		\$ 83,368,161	\$ 3,027,124		\$ 83,368,161	\$ 7,262,815

(a) Source: KPMAG Audit of SEWPPP Construction Contracts of November 30, 1995.

(b) The unrecovered costs after this expansion will be \$4,670,035.

EXHIBIT C3 (200 mgd)

**CWA BOND DEBT SERVICE - SERIES 1995 BONDS
CONSTRUCTION OF 96" RAW WATER LINE
RECOVERY OF PRIOR YEAR DEBT SERVICE**

Fiscal Year	CWA Bond Series 1995 Debt Service	SEWPP Allocation of Debt Service (1)	Allocation to 80 MGD SEWPP (2)	Allocation to 126 MGD SEWPP (3)	Additional 48 MGD Debt Service	Allocation to 210 MGD SEWPP (3)	Additional 84 MGD Debt Service
1996	\$ 2,606,990	\$ 2,429,231	\$ 809,744	\$ 1,275,346	\$ 485,602	\$ 2,125,577	\$ 650,231
1997	2,609,890	2,616,289	872,086	1,373,551	501,455	2,269,262	915,701
1998	2,806,223	2,612,674	870,958	1,371,758	500,800	2,266,264	914,506
1999	2,806,705	2,613,323	871,108	1,371,994	500,886	2,266,657	914,663
2000	2,806,485	2,613,100	871,033	1,371,876	500,843	2,266,461	914,585
2001	2,720,039	2,532,628	844,208	1,329,629	485,420	2,216,049	886,420
2002	2,723,814	2,535,236	845,412	1,331,523	488,111	2,219,206	887,683
2003	2,722,133	2,534,578	844,859	1,330,652	485,793	2,217,755	887,103
2004	2,724,695	2,536,964	845,854	1,331,905	486,251	2,219,642	887,937
2005	2,720,989	2,533,613	844,604	1,330,093	485,589	2,216,623	886,730
		\$ 25,558,736	\$ 8,519,578		\$ 4,898,749	\$ 22,363,886	\$ 8,945,559
					with new raw water contract		\$0.00

- 1) Allocation of \$45 million bond debt service to 96" raw water pipeline for SEWPP based on the following:

	Cost (millions)	Allocation of Issuance Costs	Costs After Allocation
96" line construction cost (est.)	\$ 40.3	\$ 1.6	\$ 41.9
Line "C" project cost (est.)	3.0	0.1	3.1
Issuance cost, discount, accrued interest	1.7	(1.7)	-
	\$ 45.0	\$ -	\$ 45.0

- 2) Allocation to 80 MGD SEWPP based on the following:

96" Line Capacity	240 MGD
Module Capacity	80 MGD
Module % of Allocation	33.33%

- 3) Allocation to 126 MGD and 240 MGD SEWPP based on the following:

96" Line Capacity	240 MGD	240
Module Capacity	126 MGD	210
Module % of Allocation	52.50%	87.50%

- 4) The balance of the unrecovered costs will be \$3,194,849 through 2000 and varies annually thereafter.

EXHIBIT D1 (200 mgd) (With Distribution Purchased Capacity for Transmission Allocation)
SCHEDULE OF ACTUAL COSTS OF PUMPING/DISTRIBUTION
DISTRIBUTION COSTS BASED ON NO RESIDUAL VALUES

Estimated Project Costs			
	Distribution (Treated Water Line)*	High Service Treated Water Pumping	Total
Land Acquisition	-	-	-
Site Cleanup	-	-	-
Engineering:	-	-	-
Preliminary	-	-	-
Siting Study	-	-	-
Final Design - 160 MGD	-	-	-
Final Design	-	-	-
Construction	-	-	-
Construction - 12" Hall Rd.	-	-	-
Construction - 10" Plumley	-	-	-
Construction - 36" Beamer - 10,000 lf (Original Beamer Rd.)	2,752,075	-	2,752,075
Construction - 36" Beamer - 26,000 lf (bid + City costs 8/12/02)	9,796,047	-	9,796,047
Construction - New Pumping	-	2,712,212	2,712,212
Less: Original Pumps*	-	(429,063)	(429,063)
Construction - 96" Point C to Point D	1,823,008	-	1,823,008
Audit Fees	-	-	-
Total	\$ 14,371,131	\$ 2,283,148	\$ 16,654,279
Capacity Purchased Existing Pipelines	32,000,000	55,000,000	
Capacity Purchased New Beamer Rd. Pipeline	32,000,000		
Cost per Gallon - Existing Pipeline (96" C to D and Beamer)	\$ 0.1430		
Cost per Gallon - New Beamer Rd. pipeline	\$ 0.3061		
Cost per Gallon - New Pump less Old Pump		\$ 0.0415	
Incremental Cost - Original Capacity		\$ 0.0187	
Purchase of Original Capacity (Dist. "B to C")	\$ 0.0466		
Purchase of Original Capacity		\$ 0.1256	
(See Exhibit D2 for Details)			
	\$ 0.4957	\$ 0.1858	

* The original pump costs were estimated to have been \$1,560,230 per the Kalluri Group report dated March 5, 2002. 55 mgd/200 mgd was allocated.

A

EXHIBIT 02 (200 mgd)

CALCULATION OF UNRECOVERED ORIGINAL CAPITAL COSTS

Distribution (Treated Water Pipeline):
Preliminary Engineering
Final Design
Construction

Depository Included in Costs
Distribution Cost per Gallon

High Service Treated Water Pumping
Land Acquisition
Site Cleanup
Engineering:

Preliminary
Shed Study
Final Design - 100 mgd
Final Design - 80 mgd
Construction
Construction
150 KV Electric
Construction Mgt.
Audit Fees

Capacity Included in Costs
Pumping Cost per Gallon

Original Cost (a)	Cost (45%) (b)	Original Allocation % (c)	Original Allocation \$ (d)	Jun-00 Allocation %	Jun-00 Allocation \$ (e)	Jun-00 Increased \$	New Allocation %	New Allocation \$	Increased \$	Balance of Distribution (C to D)	New Allocation %
\$ 1,132,802	\$ 509,781	225,225	\$ 36,840	250,750	\$ 105,920	\$ 115,280	260,750	\$ 108,920	\$ -	\$ 32,730	260,750
1,879,080	843,586	228,675	28,180	260,280	843,586	663,734	260,250	645,000	132,287	132,287	260,250
23,838,238	10,837,248	228,875	3,240,748	250,000	10,837,248	2,097,486	250,000	10,837,248	1,654,138	1,654,138	250,000
\$ 26,800,211	\$ 11,382,065		\$ 3,884,201		\$ 11,352,794	\$ 7,768,000		\$ 11,632,764	\$ -	\$ 1,623,000	
					\$ 280,000,000					\$ 32,000,000	
					\$ 6,444,990						\$ 0.0873

Original Cost (a)	HS Pumping Cost (7%) (b)	Original Allocation % (c)	Original Allocation \$ (d)	Jun-00 Allocation %	Jun-00 Allocation \$ (e)	Jun-00 Increased \$	New Allocation %	New Allocation \$	200 mgd Costs Purchased Capacity	Increased \$	Balance of HS PS (f)
\$ 6,075,182	\$ 1,802,302	80,750	\$ 182,246	200,750	\$ 480,814	\$ 298,369	260,750	\$ 812,743		\$ 132,498	\$ 1,189,618
1,140,372											
500,238	103,084	80,750	17,400	200,750	43,840	26,186	250,750	55,463	848,496	12,004	108,032
143,000	34,326	80,750	4,195	200,750	10,489	8,293	260,750	13,372	2,084	2,084	25,857
6,285,146	1,699,389	80,750	648,446	80,960	848,496		180,180	1,948,980			
2,882,423	726,854	80,960	726,854	200,000	798,064		200,000	726,854			
726,322	186,823	80,960	186,823	200,000	186,823		200,000	186,823			
80,363,807	21,706,247	30,880	21,706,247	200,000	21,706,247		200,000	21,706,247	21,706,247		286,723
1,996,800	487,683	30,750	48,842	200,750	127,183	78,351	260,750	162,179	94,978		
6,102,004	1,847,867	80,960	1,847,867	200,000	1,847,867		200,000	1,847,867			
\$ 108,768,684	\$ 28,437,976		\$ 25,389,618		\$ 23,757,818	\$ 308,201		\$ 26,816,348	\$ 25,126,876	\$ 1,690,572	\$ 1,819,220
					\$ 200,000,000				\$ 200,000,000	\$ 36,000,000	
									\$ 9,1544	\$ 0.0033	

(a) Source: KPMG Audit of SERVPP Construction Costs as of November 30, 1995.
(b) The unrecovered high service pumping costs after this expansion will be \$1,610,240.
(c) The unrecovered 80" distribution costs after this expansion will be \$12,604,750.

Cost per gallon of incremental up to Final Design Costs
Original Cost HS Pumping Fully Alloc.
Less: Cost of Original Pumping
Original Firm HS Pumping Capacity
Original Firm HS Pumping Fully Alloc. Contingent
Original Firm Fully Alloc Costs + Incremental + New PS

EXHIBIT F

CALCULATION OF TOTAL INVESTMENT BY PARTICIPANT

	Original Investment	Investment FY 2000	Investment FY 2006	Total Investment	Percent
Gulf Coast Water Authority	\$24,373,666	\$3,346,676	\$28,151,400	\$55,871,742	
Less: Capacity Sold	(11,540,553)			(11,540,553)	
League City	\$12,833,113	\$3,346,676	\$28,151,400	\$44,331,189	15.88%
Webster	3,369,608	860,012	1,117,206	5,346,826	1.91%
South Houston	2,848,968	863,507	261,000	3,963,475	1.42%
Pasadena	17,093,807	6,368,195	28,451,365	51,903,367	
Plus: Capacity Bought	0	850,000		850,000	
Pasadena	17,093,807	7,208,195	28,451,365	52,753,367	18.89%
Harris Co. MUD #55	1,153,386	876,180	851,766	2,880,332	
Plus: Capacity Bought	2,318,695			2,318,695	
Less: Ownership Sold	0	(1,166,800)		(1,166,800)	
Harris Co. MUD #55	3,472,081	(293,620)	851,766	4,030,227	1.44%
LaPorte Area WA	4,831,404	1,141,744	542,880	6,516,028	
Plus: Capacity Bought	3,425,120			3,425,120	
Less: Capacity Sold	0	(2,550,000)		(2,550,000)	
LaPorte Area WA	8,256,524	(1,408,256)	542,880	7,391,148	2.65%
Friendswood	3,418,761	2,021,459	10,150,076	15,590,296	
Plus: Capacity Bought	0	1,434,400		1,434,400	
Frie	3,418,761	3,455,859	10,150,076	17,024,696	6.10%
Clear Lake City WA	12,046,367	6,916,839	1,670,400	20,633,706	
Plus: Capacity Bought	5,786,738	1,434,400		7,231,138	
Clear Lake City WA	17,843,105	8,351,339	1,670,400	27,864,844	9.98%
Baybrook MUD #1	1,650,470	324,272	125,280	2,100,022	0.75%
Clear Brook City MUD	1,375,392	452,073	2,034,407	3,861,872	1.38%
Co-Participant Totals	\$72,161,829	\$23,150,057	\$73,355,779	\$168,667,665	
City of Houston	67,040,991	3,973,245	62,461,043	133,475,279	
Less: Recoupment Costs	0	(4,214,809)	(1,447,600)	(5,662,409)	
Less: Capacity Sold	0	(7,965,697)	(9,294,422)	(17,260,119)	
City of Houston	67,040,991	(8,207,261)	51,719,021	110,552,751	39.59%
TOTAL NET	\$139,202,820	14,942,796	\$125,074,800	\$279,220,416	100.00%
TOTAL COSTS	\$139,202,820	27,123,302	135,816,622		

EXHIBIT F (continued)

CALCULATION OF TOTAL GALLONS BY PARTICIPANT

	Demand Allocation	Pumping Allocation	Distribution Allocation			
			96" B to C	96" C to D	Existing Beamer	New Beamer
Gulf Coast Water Authority						
Original	16.5000	16.5000	16.1675			
Capacity Sold						
Incremental Purchase	15.0000	15.0000	15.0000	15.0000	5.0000	5.0000
Subtotal	31.5000	31.5000	33.1675	15.0000	5.0000	5.0000
Webster						
Original	4.0500	5.8310	5.8310			
Incremental Purchase				1.8600	1.8600	1.8600
Subtotal	4.0500	5.8310	5.8310	1.8600	1.8600	1.8600
South Houston						
Original	3.7500	3.7500	3.7500			
Incremental Purchase						
Subtotal	3.7500	3.7500	3.7500	0.0000	0.0000	0.0000
Pasadena						
Original	23.5000	31.0000	16.8675			
Incremental Purchase	16.5000	21.7660				
Subtotal	40.0000	52.7660	16.8675	0.0000	0.0000	0.0000
Harris Co. MUD #55						
Original	3.4625	4.2520	4.2520			
Incremental Purchase				1.3600	1.3600	1.3600
Subtotal	3.4625	4.2520	4.2520	1.3600	1.3600	1.3600
LaPorte Area Water Authority						
Original	7.8000	9.7500	0.0000			
Incremental Purchase						
Subtotal	7.8000	9.7500	0.0000	0.0000	0.0000	0.0000
Friendswood						
Original	6.0000	8.5200	8.5200			
Incremental Purchase	6.0000	6.0000	6.0000	9.6800	9.6800	9.6800
Subtotal	12.0000	14.5200	14.5200	9.6800	9.6800	9.6800

EXHIBIT F (continued)

CALCULATION OF TOTAL GALLONS BY PARTICIPANT

	Demand Allocation	Pumping Allocation	Distribution Allocation			
			96" B to C	96" C to D	Existing Beamer	New Beamer
Clear Lake City Water Authority						
Original	24.0000	38.5100	36.5100			
Incremental Purchase				0.0000	0.0000	0.0000
Subtotal	24.0000	38.5100	36.5100	0.0000	0.0000	0.0000
Baybrook MUD #1						
Original	1.8000	3.3750	3.3750			
Incremental Purchase				0.0000	0.0000	0.0000
Subtotal	1.8000	3.3750	3.3750	0.0000	0.0000	0.0000
Clear Brook City MUD						
Original	1.5000	3.8455	3.8455			
Incremental Purchase	1.0000	0.0000		3.8455	3.8455	0.0000
Subtotal	2.5000	3.8455	3.8455	3.8455	3.8455	0.0000
TOTAL (prior to City)	130.8625	166.0995	121.9185	31.7455	21.7455	17.9000
City of Houston						
Original	27.6375	78.6665	149.0815	250.0000	32.0000	32.0000
Capacity Sold		0.0000	(21.0000)	(31.7455)	(21.7455)	(17.9000)
Incremental Purchase	41.5000	12.2340				
Subtotal	69.1375	88.9005	128.0815	218.2545	10.2545	14.1000
TOTAL	200.0000	255.0000	250.0000	250.0000	32.0000	32.0000

Beamer Rd. and Related Transmission Allocation to Benefiting Participants

Participant	Existing Distribution (Contract Purchase) MGD	Incremental Purchased Distribution Capacity (MGD)	Total Purchased Distribution Capacity (MGD)	Total Distribution Capacity w/ Only 36" (MGD) (Beamer Rd.)	Total Distribution Capacity w/ Only 42" (MGD) (42")
Friendswood	8.5200	6.0000	14.5200	9.6800	4.8400
GCWA	18.1675	5.0000	23.1675	5.0000	18.1675
Webster	5.8310	0.0000	5.8310	1.8600	3.9710
Harris Co MUD	4.2520	0.0000	4.2520	1.3600	2.8920
Clear Lake City (25% of Total)	9.1200	0.0000	9.1200	0.0000	9.1200
Baybrook MUD	3.3750	0.0000	3.3750	0.0000	3.3750
Clear Brook MUD	3.8455	0.0000	3.8455	0.0000	0.0000
City of Houston	10.0000	0.0000	10.0000	14.1000	1.1583
Totals	63.1110	11.0000	74.1110	32.0000	43.5238
Totals without Clear Brook or City of Houston					
Clear Brook MUD for Existing 96" and 36"					
City of Houston for Existing 96" and 36"					
Total with City of Houston and Clear Brook for Existing 96" and 36"					
CAPACITY 42" LINE (MGD)					
CAPACITY 36" LINE (MGD)					
43.5238					
32.0000					
32.0000					

CITY OF HOUSTON UNTREATED WATER FACILITIES' OUTSTANDING DEBT FACILITY COMPONENT

1 Coastal Water Authority (General)	Principal @ 7/1/2005
2 Trinity River Authority (General)	\$198,625,000
	8,000,000
	<u>\$204,625,000</u>
Leas: '87/91 issue 96" Initial Capital Payment	
\$14,734,288 of \$120,000,000 Principal Total (12.28%) firms	
Outstanding Principal @ 7/1/2005 of \$48,700,000	(10,648,760)
	<u>\$193,976,240</u>
3 Coastal Water Authority (TRA/Lynchburg PS Upgrade) (General)	40,385,000
4 TRA - Current Lake Livingston Improvements	17,996,000
5 Allens Creek Land Purchase	14,000,000
6 Lake Houston Dens/Reservoir Improvements	17,016,408
7 Wellsville Lake Project	10,077,550
8 Dayton Canal	5,150,000
	<u>\$298,603,190</u>
Total Outstanding Debt:	

ESTIMATED COST OF RAW WATER FOR EXPANSION TO 200 MGD

Raw Water Costs (Formula for Exhibit C)	Clear Brook ($A_1/D_2 \times C$)	Friendswood ($A_2/D_2 \times C$)	Pasadena ($A_3/D_2 \times C$)	GCWA/Pearland ($A_4/D_2 \times C$)	GCWA/League City ($A_5/D_2 \times C$)
(A ₂) Additional Demand Capacity (mgd)	1.00	6	18.5	10	5
(D ₂) Defined Year Average Day Production (mgd) (Fiscal Year 2004 data)	518.65	518.65	518.85	518.65	518.65
(C) Houston's Untreated Water Outstanding Debt (for period ending 7/1/05)	\$298,803,190	\$298,803,190	\$298,803,190	\$298,803,190	\$298,803,190
Additional Raw Water Capacity Cost Formula equals (A/B) x C =	\$676,304	\$3,454,839	\$9,498,567	\$5,787,070	\$2,878,535
Total Estimated Raw Water Demand Capacity Cost					\$22,185,315

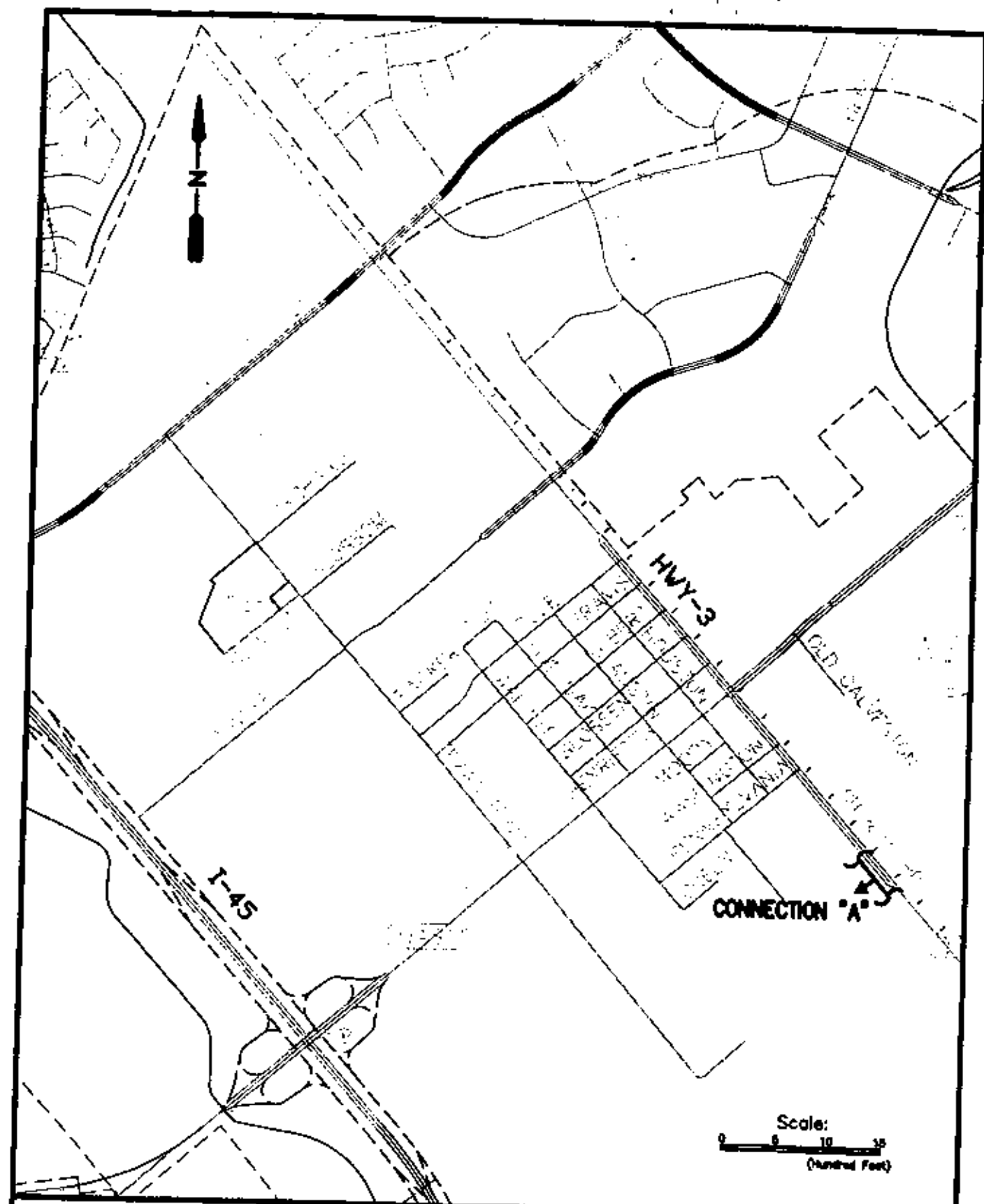


EXHIBIT 1
GULF COAST WATER AUTHORITY (GCWA)
CONNECTION POINT

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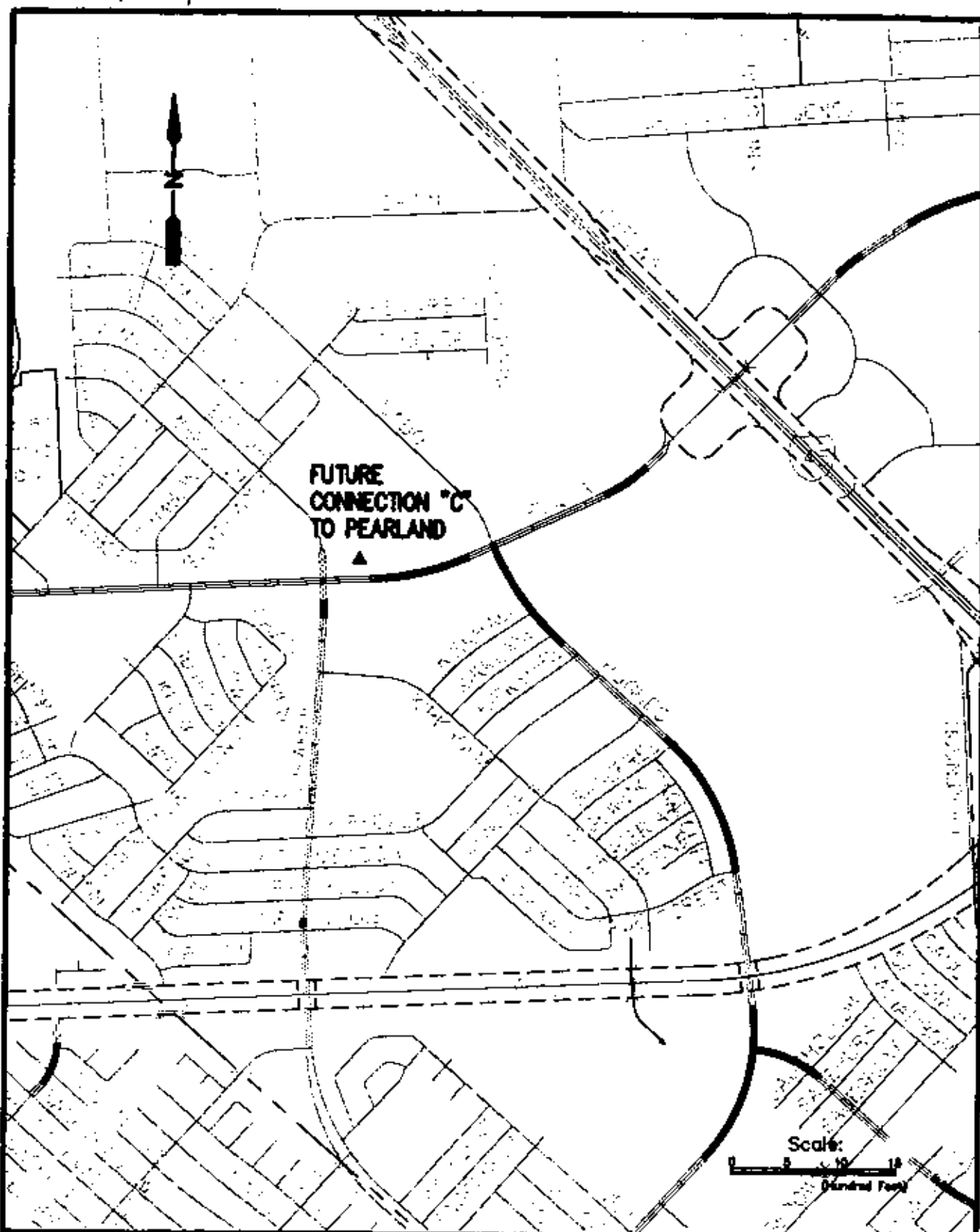


EXHIBIT I
GULF COAST WATER AUTHORITY (GCWA)
FUQUA RD @ BEAMER RD
CONNECTION POINT

EXHIBIT II
ESTIMATED COSTS PER CO-PARTICIPANT
GCWA - LEAGUE CITY

	MGD	Cost per Gal.	Charge/Rebate
SEWPP			
Existing Capacity	16.5000	\$0.0696	\$1,148,400
Added Capacity Needed	5.0000	\$1.3801	6,900,500
Total SEWPP 2005 Capacity	21.5000		\$8,048,900
Pumping			
Existing Capacity	16.5000		\$0
Incremental Capacity	5.0000	\$0.1858	929,000
Total Pumping	21.5000		\$929,000
Distribution			
Existing Capacity	16.5000		
96" Line - Point C to Point D and Existing 36" Bearer New 36" Bearer Line Incremental Capacity	0.0000 0.0000	\$0.1430 \$0.3061	- -
96" Line - Point C to Point D and Existing 36" Bearer New 36" Bearer Line 96" Line Point B to Point C	5.0000 5.0000 5.0000	\$0.1430 \$0.3061 \$0.0466	715,000 1,530,500 233,000
Total Distribution	21.5000		\$2,478,500
Total Costs			\$11,456,400

EXHIBIT II
ESTIMATED COSTS PER CO-PARTICIPANT
GCWA - PEARLAND

	MGD	Cost per Gal.	Charge/Rebate
SEWPP			
Existing Capacity	0.0000	\$0.0686	\$0
Added Capacity Needed	10.0000	\$1.3801	13,801,000
Total SEWPP 2005 Capacity	10.0000		\$13,801,000
Pumping			
Existing Capacity	0.0000		\$0
Incremental Capacity	10.0000	\$0.1858	1,858,000
Total Pumping	10.0000		\$1,858,000
Distribution			
Existing Capacity	0.0000		
96" Line - Point C to Point D	0.0000		
and Existing 36" Bearer	0.0000		
New 36" Bearer Line	0.0000	\$0.1430	-
Incremental Capacity	0.0000	\$0.3061	-
96" Line - Point C to Point D	10.0000	\$0.0570	570,000
New 36" Bearer Line	0.0000	\$0.3061	-
96" Line Point B to Point C	10.0000	\$0.0466	466,000
Total Distribution	10.0000		\$1,036,000
Total Costs			\$18,695,000

1 6675 MGD is owned by GCWA

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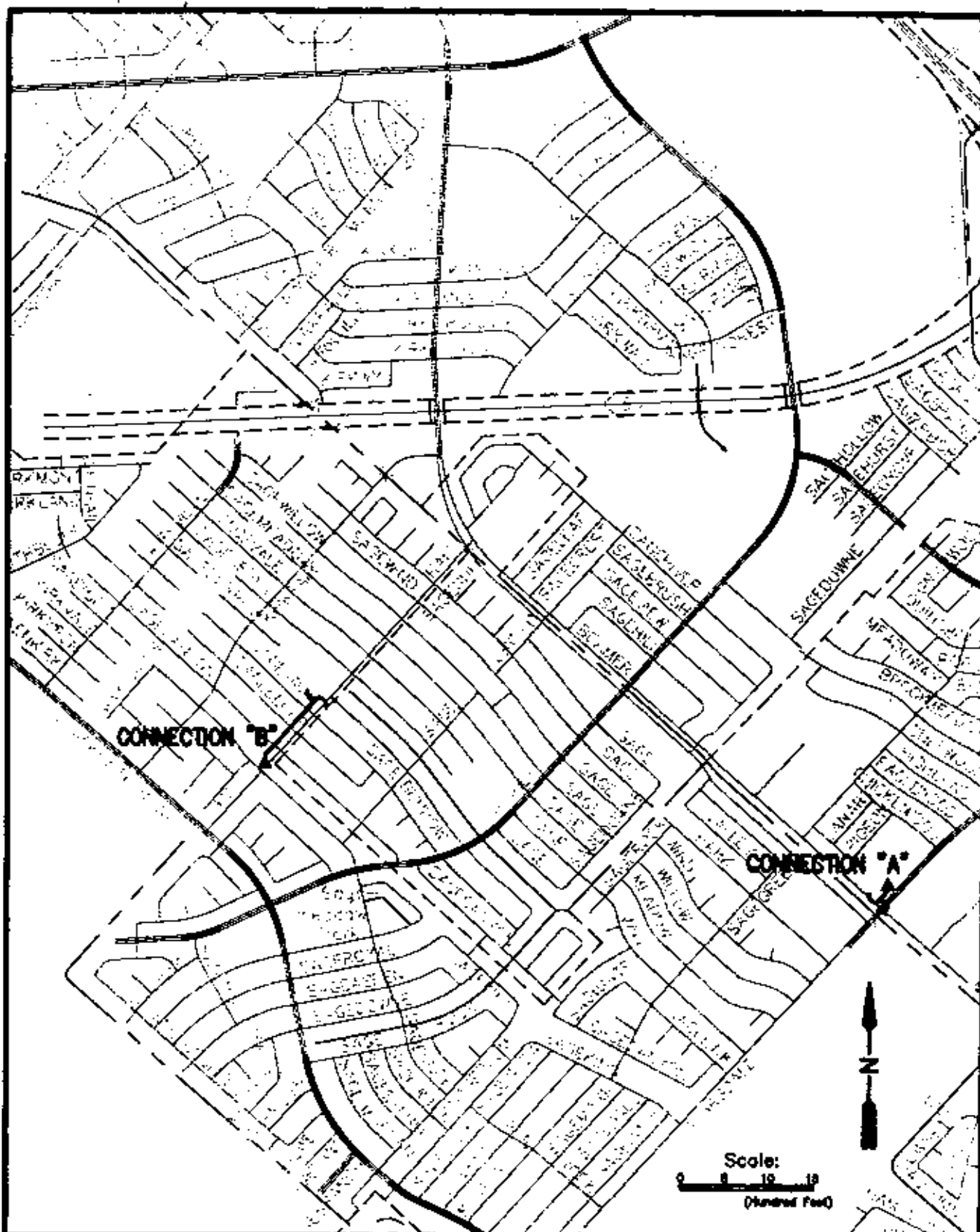


EXHIBIT 1
CLEAR BROOK CITY M.U.D.
SCARSDALE BLVD. AT BEAMER RD.
AND HALL ROAD AT SAGECANYON
CONNECTION POINTS

EXHIBIT II
ESTIMATED COSTS PER CO-PARTICIPANT
CLEAR BROOK CITY MUD

SEWPP	MGD	Cost per Gal.	Charge/Rebate
Existing Capacity	1.5000	\$0.0696	\$104,400
Added Capacity Needed	1.0000	\$1.3801	1,380,100
Total SEWPP Costs	2.5000		\$1,484,500
Pumping			
Existing Capacity	3.8455		\$0
Incremental Capacity	0.0000	\$0.1858	
Total Pumping	3.8455		\$0
Distribution			
Existing Capacity	3.8455		
96" Line - Point C to Point D and Existing 36" Beamer New 36" Beamer Line Incremental Capacity	3.8455 0.0000	\$0.1430 \$0.3061	549,907 -
96" Line - Point C to Point D New 36" Beamer Line 96" Line Point B to Point C Total Distribution	0.0000 0.0000 0.0000 3.8455	\$0.1430 \$0.3061 \$0.0466	- - -
Total Costs			\$549,907
			\$2,034,407

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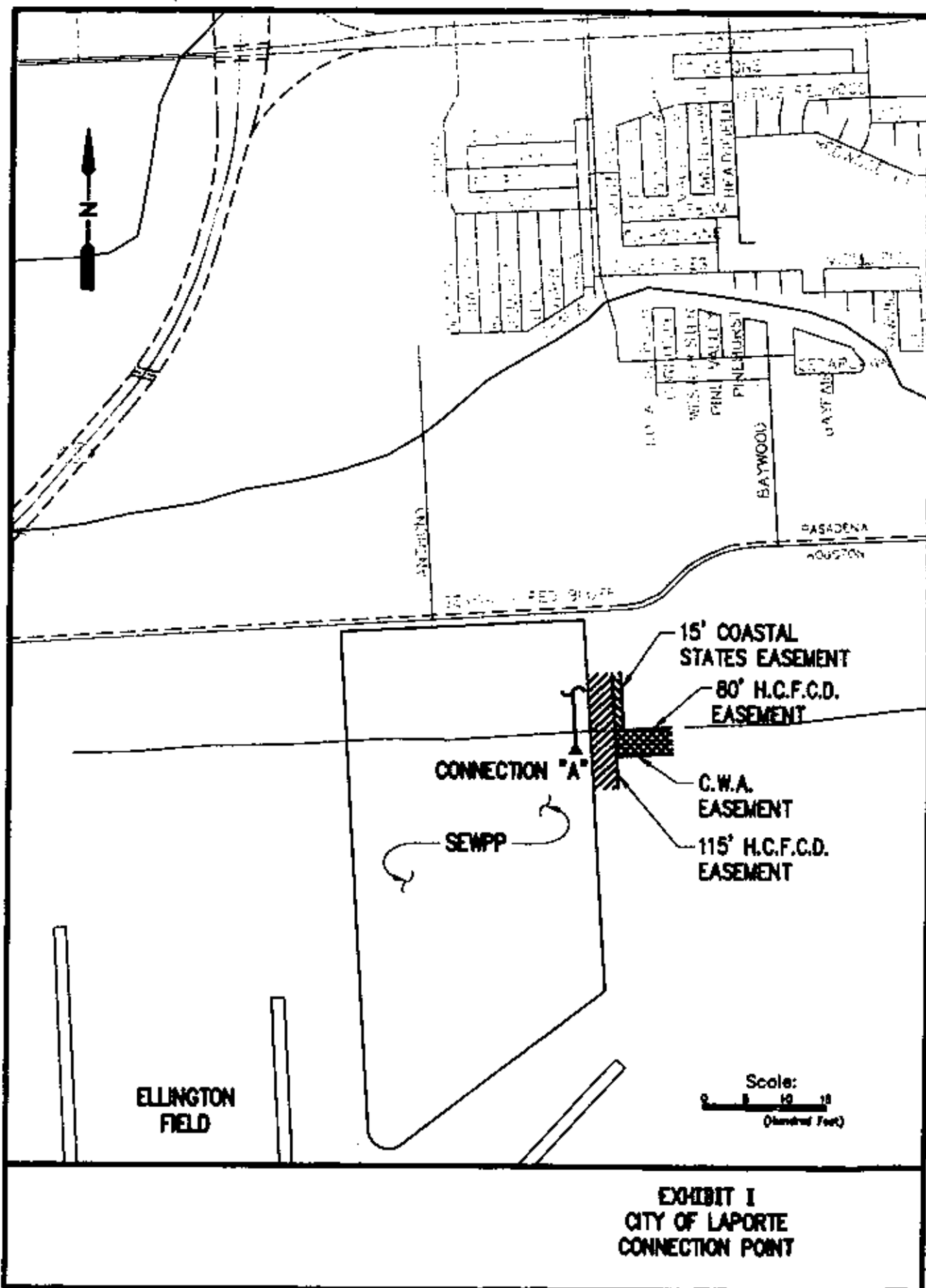


EXHIBIT I
CITY OF LAPORTE
CONNECTION POINT

EXHIBIT II
ESTIMATED COSTS PER CO-PARTICIPANT
LAPORTE

	MGD	Cost per Gal.	Charge/Rebate
SEWPP			
Existing Capacity	7.8000	\$0.0696	\$542,880
Added Capacity Needed	0.0000	\$1.3801	-
Total SEWPP 2005 Capacity	7.8000		\$542,880
Pumping			
Existing Capacity	9.750		\$0
Incremental Capacity	0.000	\$0.1858	-
Total Pumping/Distribution	9.750		\$0
Total Costs			\$542,880

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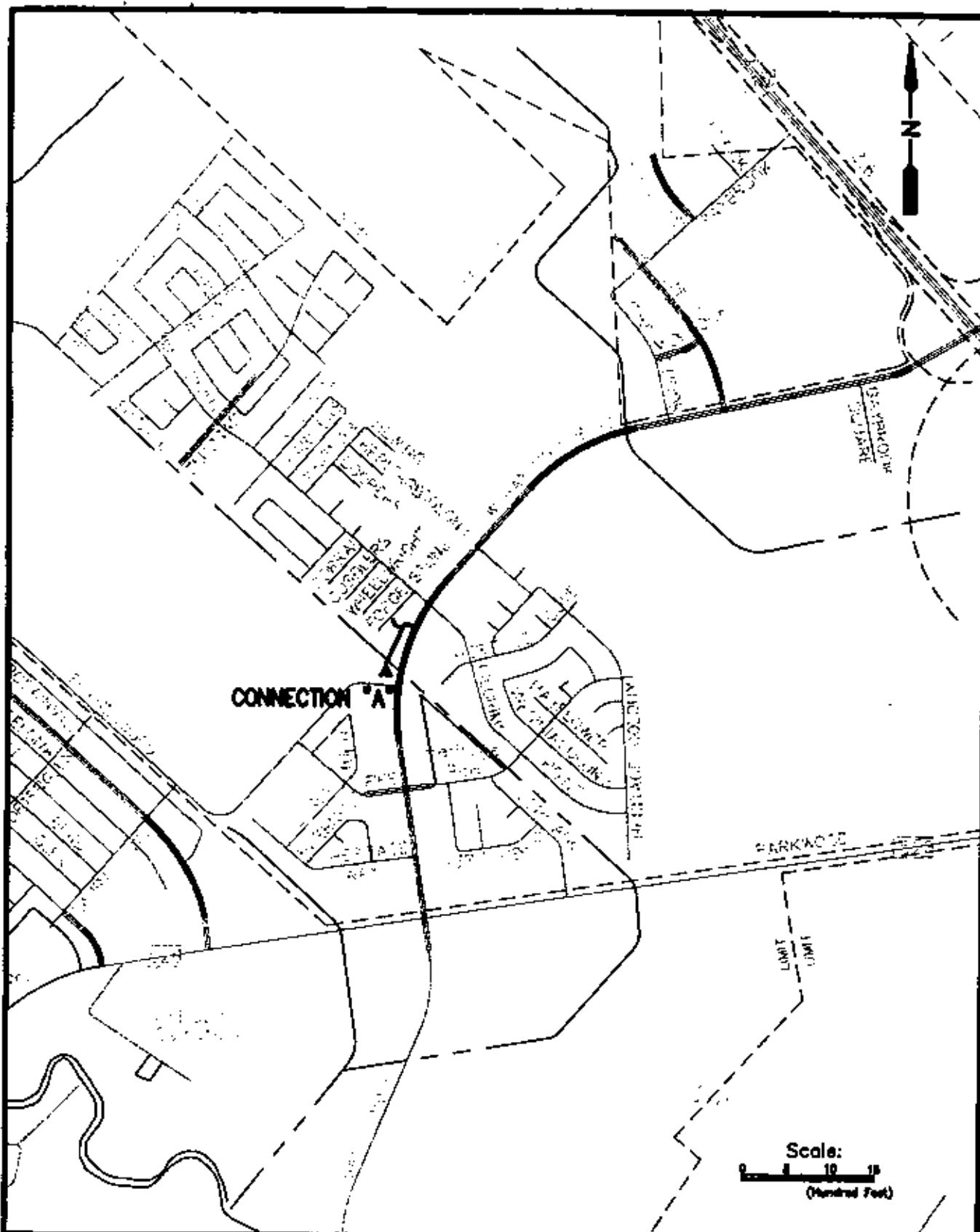


EXHIBIT 1
HARRIS COUNTY M.U.D. No. 55
CONNECTION POINT

EXHIBIT II
ESTIMATED COSTS PER CO-PARTICIPANT
HARRIS COUNTY MUD #55

SEWPP	MGD	Cost per Gal.	Charge/Rebate
Existing Capacity	3.4625	\$0.0696	\$240,990
Added Capacity Needed	0.0000	\$1.3801	-
Total SEWPP 2005 Capacity	3.4625		\$240,990
Pumping			
Existing Capacity	4.25200		\$0
Incremental Capacity	0.00000	\$0.1858	\$0
Total Pumping	4.25200		\$0
Distribution - Alternative #2			
Existing Capacity	4.25200		
96" Line - Point C to Point D and Existing 36" Beamer New 36" Beamer Line Incremental Capacity	1.36000 1.36000	\$0.1430 \$0.3061	194,480 416,296
96" Line - Point C to Point D New 36" Beamer Line 96" Line Point B to Point C Total Distribution	0.00000 0.00000 0.00000 4.25200	\$0.1430 \$0.3061 \$0.0466	- - -
		\$	610,776
Total Costs		\$	851,766

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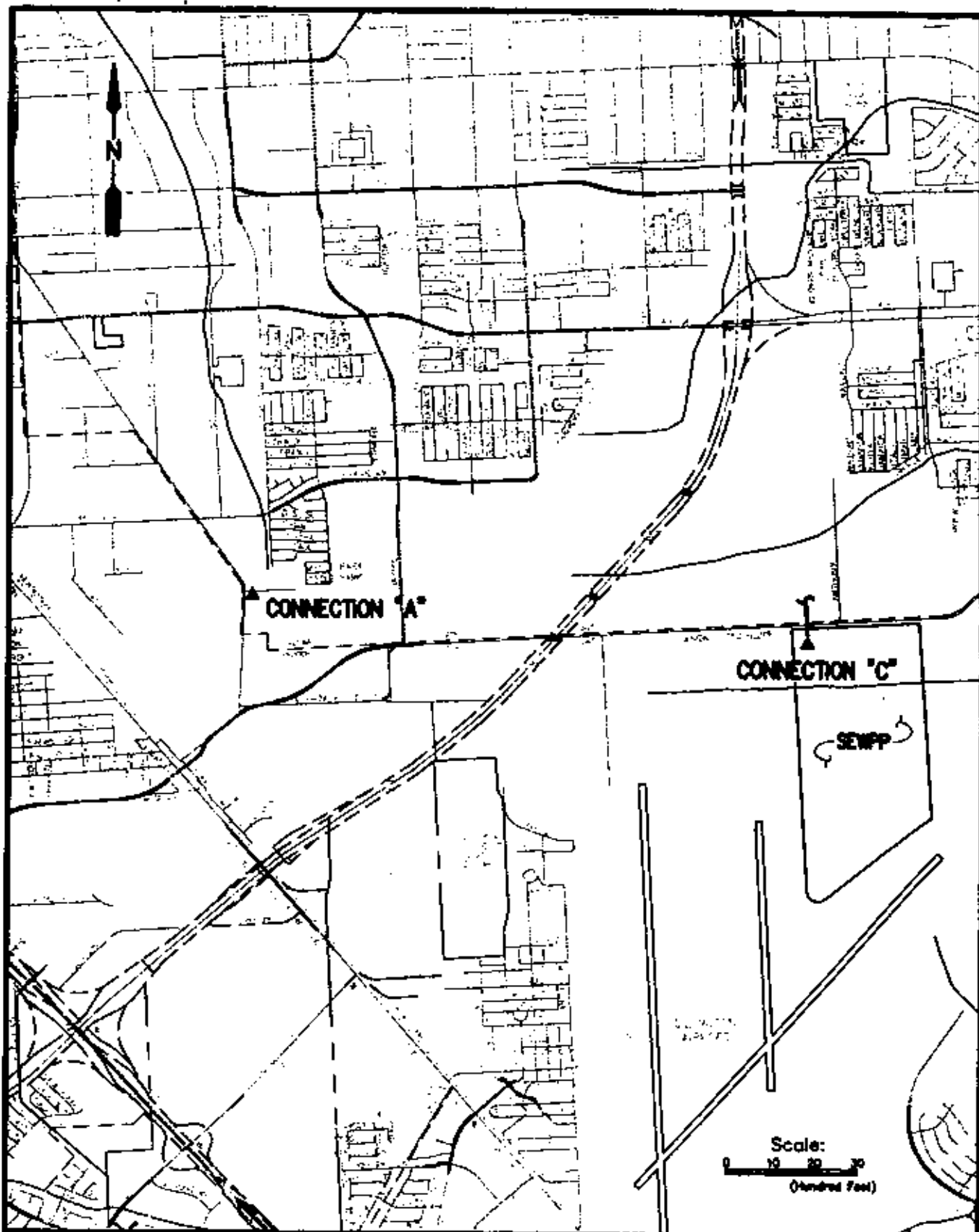


EXHIBIT I
CITY OF PASADENA
CONNECTION POINTS

EXHIBIT II
ESTIMATED COSTS PER CO-PARTICIPANT
PASADENA

SEWPP	MGD	Cost per Gallon	Charge/Rebate
Existing Capacity	23.5000	\$0.0696	\$1,635,600
Added Capacity Needed	16.5000	\$1.3801	22,771,650
Total SEWPP Costs	40.0000		\$24,407,250
Pumping			
Existing Capacity	31.00000		\$0
Incremental Capacity	21.76596	\$0.1858	4,044,115
Total Pumping	52.76596		\$4,044,115
Distribution			
Existing Capacity	16.66750		-
96" Line - Point C to Point D and Existing 36" Beamer New 36" Beamer Line Incremental Capacity	0.0000 0.0000	\$0.1430 \$0.3061	- -
96" Line - Point C to Point D New 36" Beamer Line 96" Line Point B to Point C Total Distribution	0.0000 0.0000 0.0000 16.6675	\$0.1430 \$0.3061 \$0.0466	- - -
Total Costs			\$0 \$28,451,365

EXHIBIT II
ESTIMATED COSTS PER CO-PARTICIPANT
SOUTH HOUSTON

	MGD	Cost per Gal.	Charge/Rebate
SEWPP			
Existing Capacity	3.7500	\$0.0696	\$261,000
Added Capacity Needed	0.0000	\$1.3801	-
Total SEWPP 2006 Capacity	3.7500		\$261,000
Pumping			
Existing Capacity	3.75000		\$0
Incremental Capacity	0.00000	\$0.1858	-
Total Pumping	3.75000		\$0
Distribution			
Existing Capacity			
96" Line - Point C to Point D			
and Existing 36" Beamer	0.0000	\$0.1430	-
New 36" Beamer Line	0.0000	\$0.3061	-
Incremental Capacity			
96" Line - Point C to Point D			
and Existing 36" Beamer	0.0000	\$0.1430	-
New 36" Beamer Line	0.0000	\$0.3061	-
96" Line Point B to Point C	0.0000	\$0.0466	-
Total Distribution	0.0000		\$0
Total Costs			\$261,000

Alternatively, the City of South Houston can make payment by paying \$0.10/1000 gallons until a total of 3.05 billion gallons have been purchased. (At 1.5 MGD, the COH will be repaid in approximately 5.5 years.)

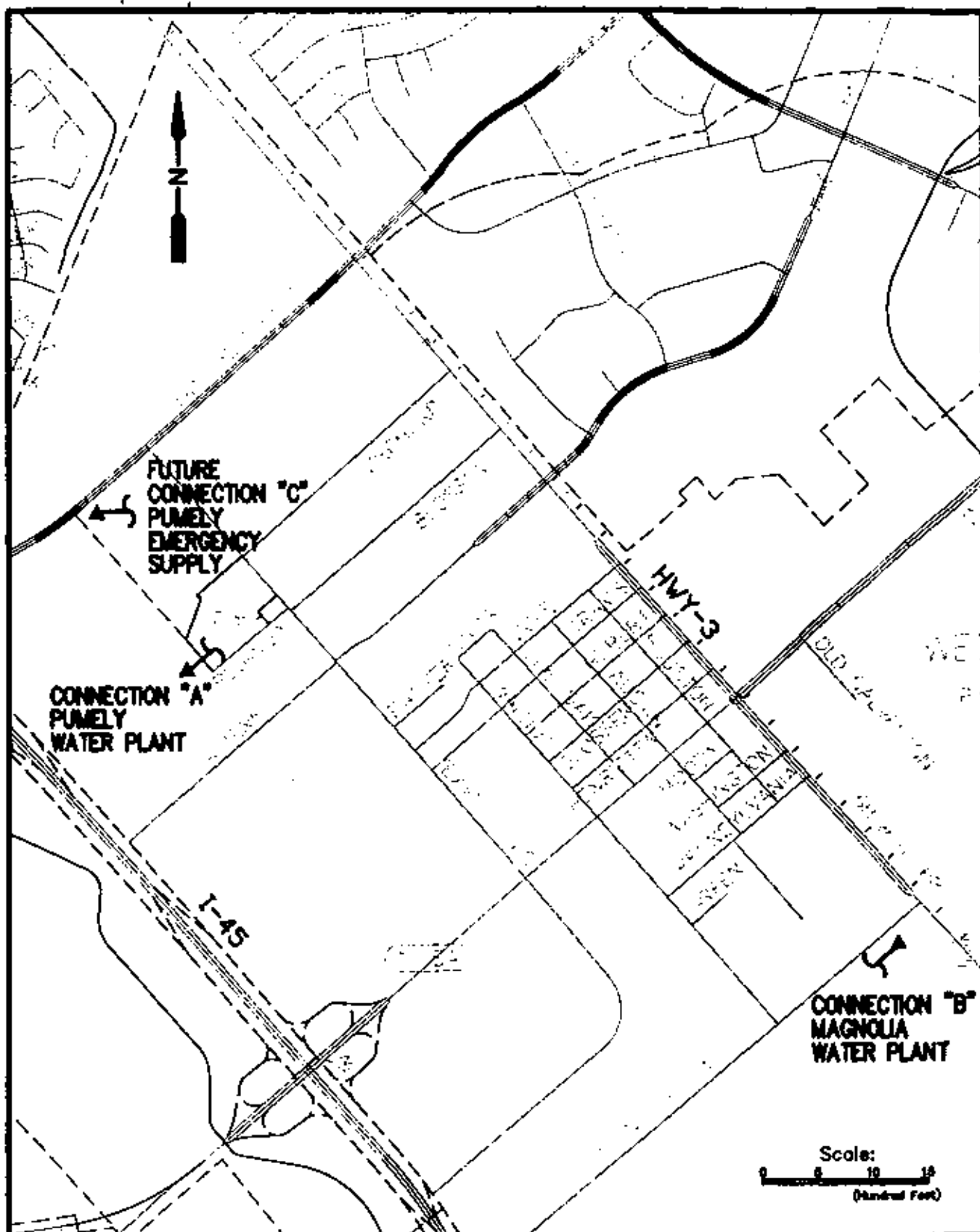


EXHIBIT I
CITY OF WEBSTER
PLUMLEY STREET WATER PLANT
AND MAGNOLIA AVENUE WATER PLANT
CONNECTION POINTS

EXHIBIT II
ESTIMATED COSTS PER CO-PARTICIPANT
WEBSTER

SEWPP	MGD	Cost per Gal.	Charge/Rebate
Existing Capacity	4.0500	\$0.0696	\$281,880
Added Capacity Needed	0.0000	\$1.3801	\$0
Total SEWPP 2005 Capacity	4.0500		\$281,880
Pumping			
Existing Capacity	5.831		\$0
Incremental Capacity	0.000	\$0.1858	
Total Pumping	5.831		\$0
Distribution - Alternative #2			
Existing Capacity	5.831		
96" Line - Point C to Point D and Existing 36" Beamer New 36" Beamer Line Incremental Capacity	1.860 1.860	\$0.1430 \$0.3061	\$265,980 569,346
96" Line - Point C to Point D New 36" Beamer Line 96" Line Point B to Point C Total Distribution	0.000 0.000 0.000 5.831	\$0.1430 \$0.3061 \$0.0466	\$835,326
Total Costs			\$1,117,206

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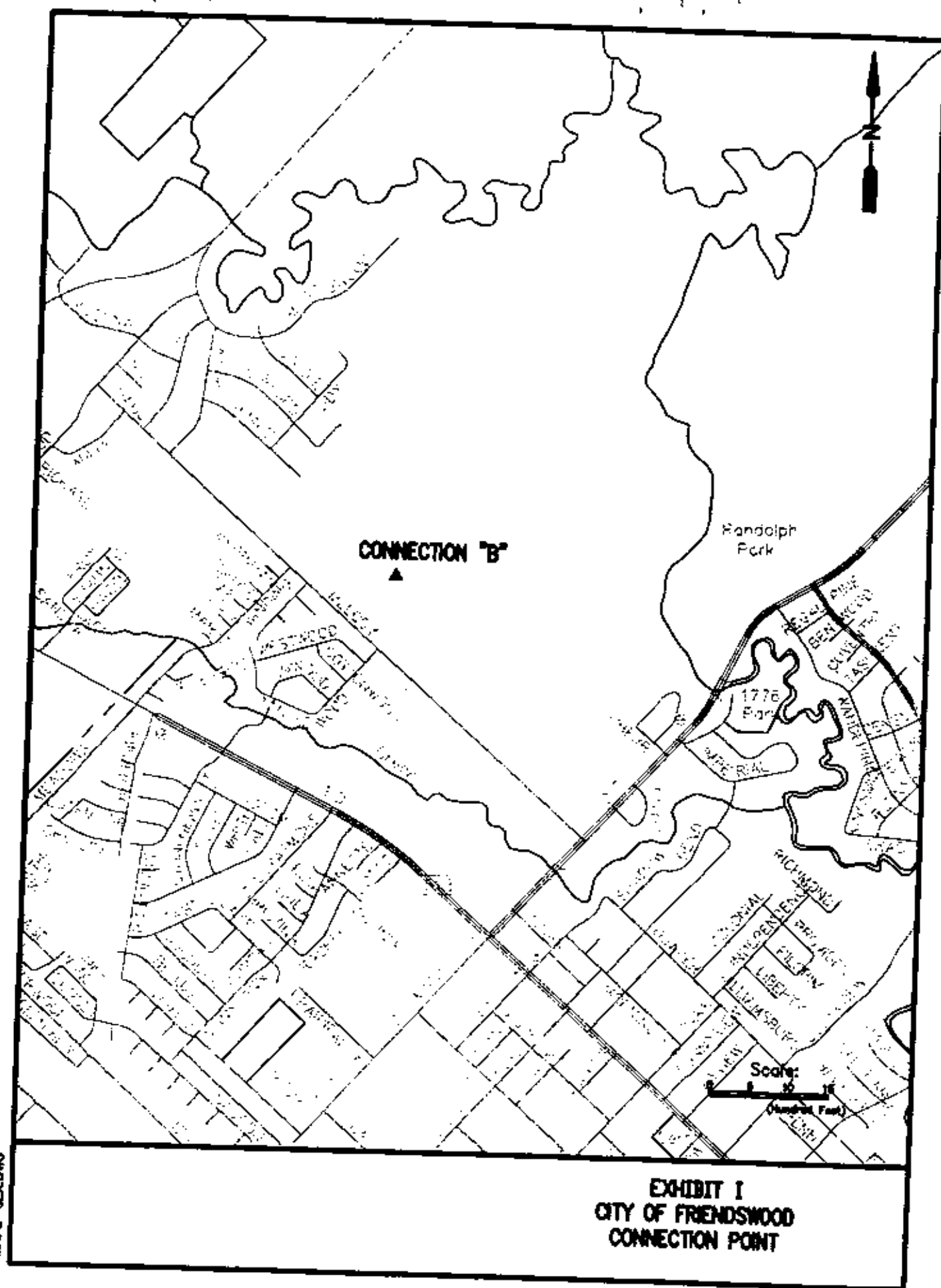


EXHIBIT II
ESTIMATED COSTS PER CO-PARTICIPANT
FRIENDSWOOD

	MGD	Cost per Gal.	Charge/Rebate
SEWPP			
Existing Capacity	6.0000	\$0.0696	\$417,600
Added Capacity Needed	6.0000	\$1.3801	8,280,600
Existing Capacity - Costs			
Total SEWPP Exp Capacity	12.0000		\$8,698,200
Total SEWPP Costs			
Pumping			
Existing Capacity	8.52000		\$0
Incremental Capacity	6.00000	\$0.1858	1,114,800
Total Pumping	14.52000		\$1,114,800
Distribution - Alternative #2			
Existing Capacity	8.52000		
96" Line - Point C to Point D	0.68000	\$0.0570	38,760
Existing 36" Beamer	0.68000	\$0.0860	58,480
New 36" Beamer Line	0.68000	\$0.3061	208,148
Incremental Capacity			
96" Line - Point C to Point D	0.00000	\$0.0860	-
New 36" Beamer Line	0.00000	\$0.3061	-
96" Line Point B to Point C	0.68000	\$0.0466	31,688
Total Distribution	14.52000		\$337,076
Total Costs			\$10,150,076

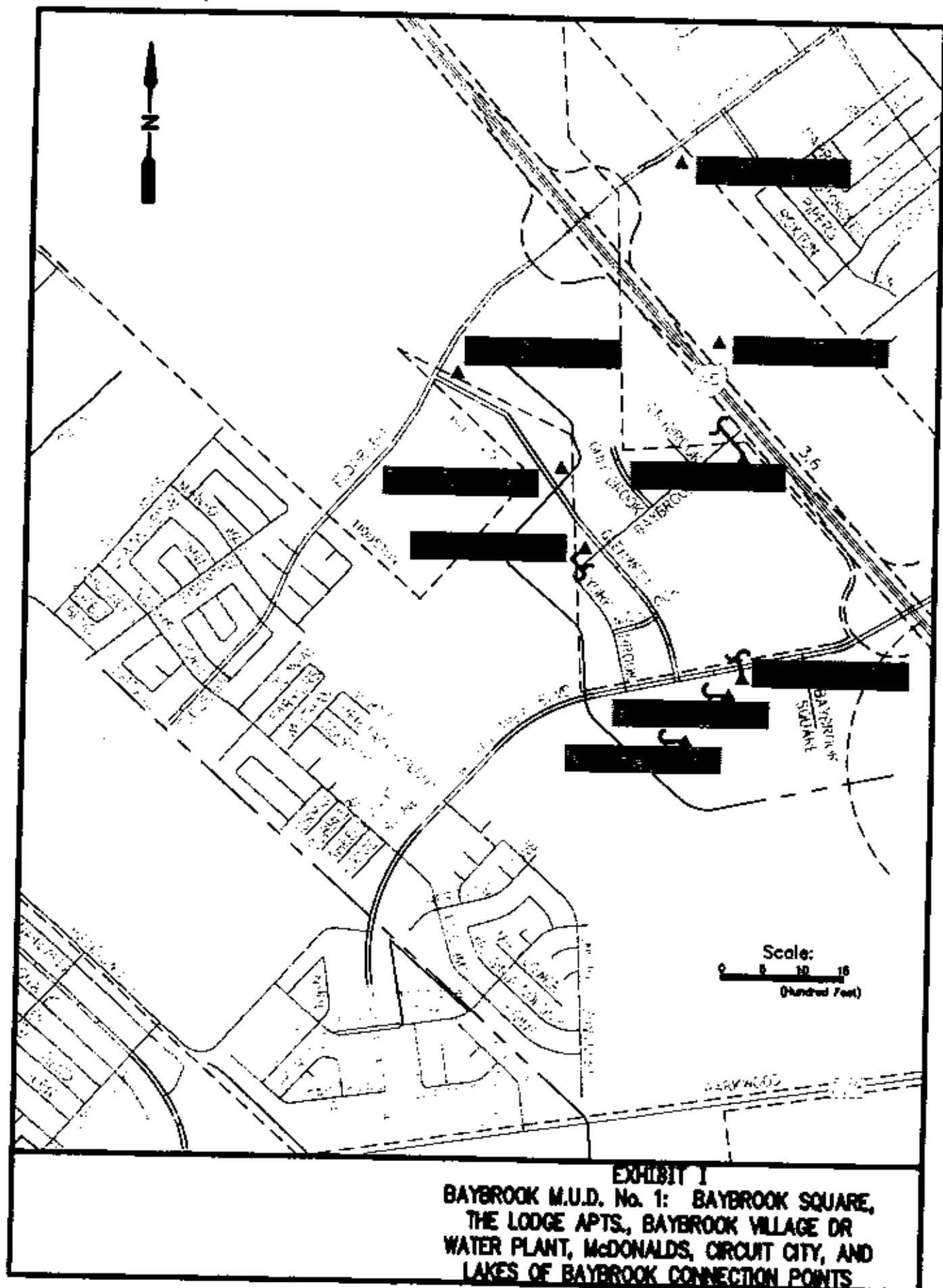
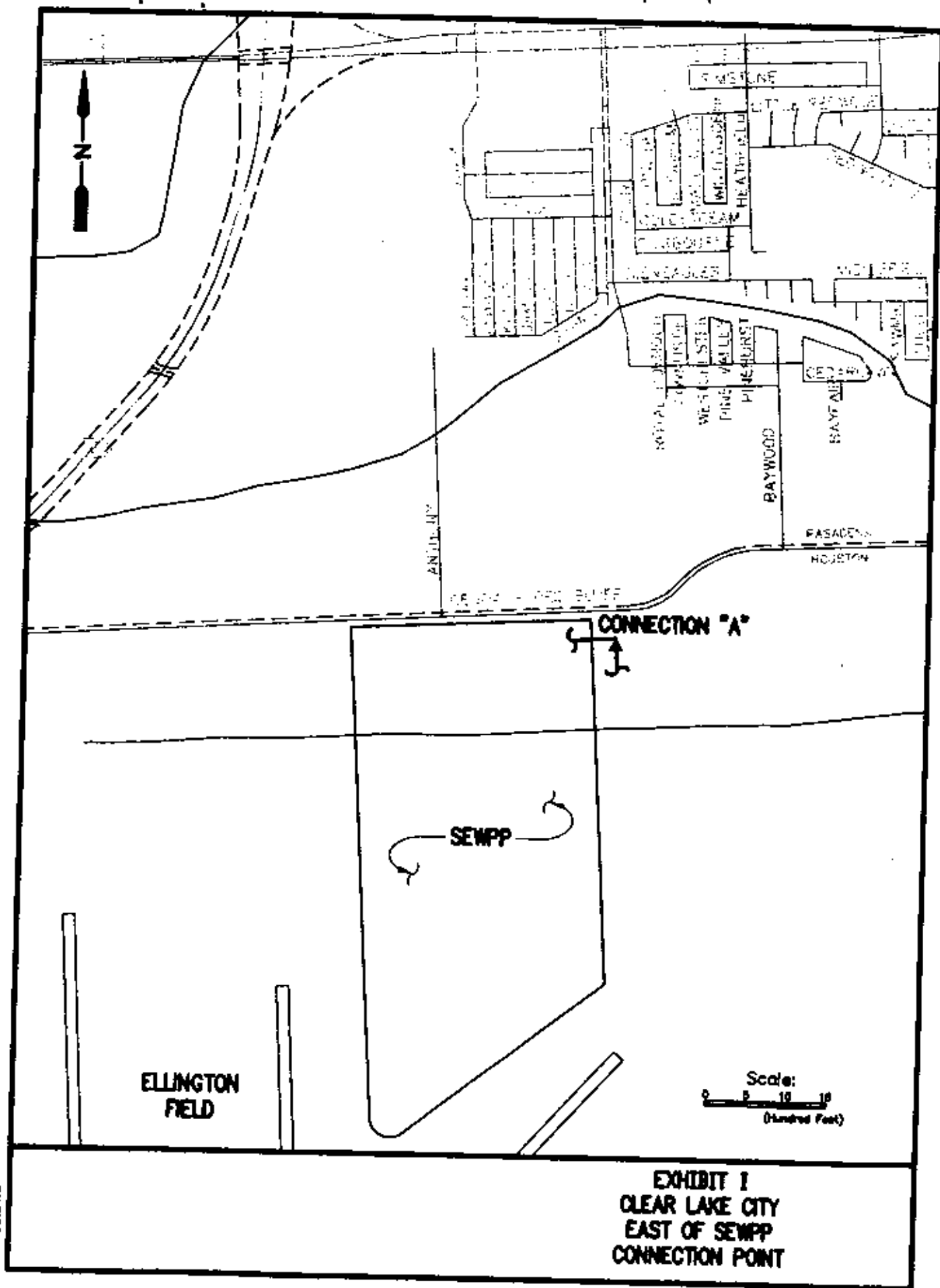


EXHIBIT II
ESTIMATED COSTS PER CO-PARTICIPANT
BAYBROOK MUD #1

	MGD	Cost per Gal.	Charge/Rebate
SEWPP			
Existing Capacity	1.8000	\$0.0696	\$125,280
Added Capacity Needed	0.0000	\$1.3801	-
Total SEWPP 2005 Capacity	1.8000		\$125,280
Pumping			
Existing Capacity	3.375		\$0
Incremental Capacity	0.000	\$0.1858	-
Total Pumping	3.375		\$0
Distribution			
Existing Capacity	3.375		
96" Line - Point C to Point D and Existing 36" Beamer	0.000	\$0.1430	-
New 36" Beamer Line Incremental Capacity	0.000	\$0.3061	-
96" Line - Point C to Point D New 36" Beamer Line	0.000	\$0.1430	-
96" Line Point B to Point C	0.000	\$0.3061	-
Total Distribution	0.000	\$0.0466	-
	3.375	\$	-
Total Costs		\$	125,280

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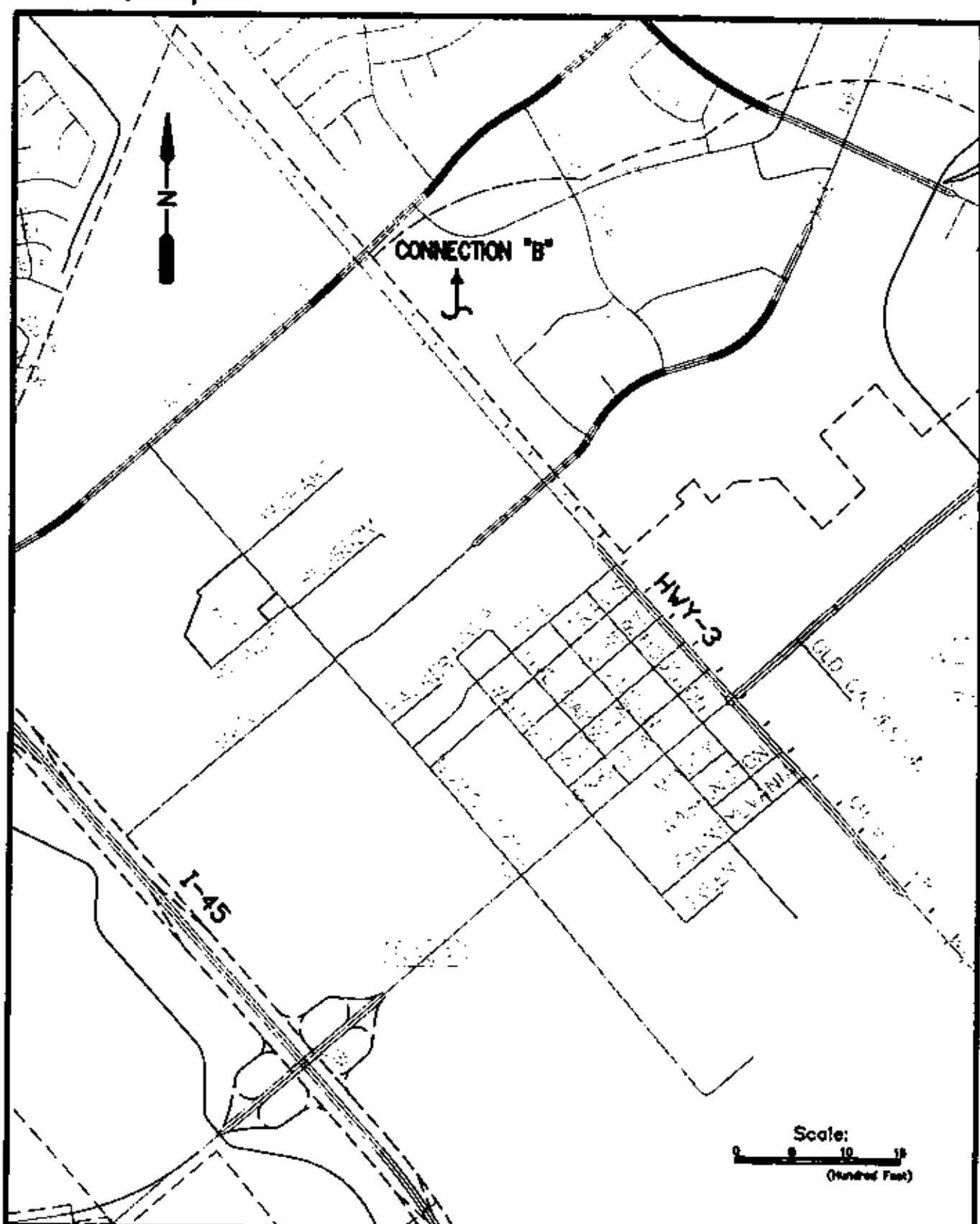


EXHIBIT II
ESTIMATED COSTS PER CO-PARTICIPANT
CLEAR LAKE CITY WATER AUTHORITY

SEWPP	MGD	Cost per Gal.	Charge/Rebate
Existing Capacity	20.4500	\$0.0696	\$1,423,320
Added Capacity Needed	0.0000	\$1.3801	
Total SEWPP 2005 Capacity	20.4500	\$	\$ 1,423,320
Pumping			
Existing Capacity	32.00000	-	\$
Incremental Capacity	0.00000	\$0.1858	-
Total Pumping	32.00000		\$0
Distribution			
Existing Capacity	32.00000		
96" Line - Point C to Point D and Existing 36" Beamer New 36" Beamer Line Incremental Capacity	0.00000 0.00000	\$0.1430 \$0.3061	- -
96" Line - Point C to Point D and Existing 36" Beamer New 36" Beamer Line	0.00000 0.00000	\$0.1430 \$0.3061	- -
96" Line Point B to Point C Total Distribution	0.00000 0.00000	\$0.0466	- \$0
Total Costs			\$1,423,320

EXHIBIT II			
ESTIMATED COSTS PER CO-PARTICIPANT			
CLEAR LAKE CITY WATER AUTHORITY JOHNSON SPACE CENTER			
	MGD	Cost per Gal.	Charge/Rebate
SEWPP			
Existing Capacity	1.6000	\$0.0696	\$111,360
Added Capacity Needed	0.0000	\$1.3801	
Total SEWPP 2005 Capacity	1.6000		\$111,360
Pumping			
Existing Capacity	2.560		\$0
Incremental Capacity	0.000	\$0.1858	
Total Pumping	2.560		\$0
Distribution			
Existing Capacity	2.560		
96" Line - Point C to Point D and Existing 36" Beamer		\$0.1430	-
New 36" Beamer Line	0.000	\$0.3061	-
Incremental Capacity			
96" Line - Point C to Point D and Existing 36" Beamer	0.000	\$0.14300	-
New 36" Beamer Line	0.000	\$0.30610	-
96" Line Point B to Point C	0.000	\$0.04660	-
Total Distribution	0.000		\$0
Total Costs			\$111,360

EXHIBIT II
ESTIMATED COSTS PER CO-PARTICIPANT
NASSAU BAY

SEWPP	MGD	Cost per Gal.	Charge/Rebate
Existing Capacity	1.9500	\$0.0696	\$135,720
Added Capacity Needed	0.0000	\$1.3801	-
Total SEWPP 2005 Capacity	1.9500		\$135,720
Pumping			
Existing Capacity	1.95000		\$0
Incremental Capacity	0.00000	\$0.1858	-
Total Pumping	1.95000		\$0
Distribution			
Existing Capacity	1.9500000		
96" Line - Point C to Point D and Existing 36" Beamer New 36" Beamer Line Incremental Capacity	0.000000 0.000000	\$0.1430 \$0.3061	- -
96" Line - Point C to Point D and Existing 36" Beamer New 36" Beamer Line 96" Line Point B to Point C Total Distribution	0.000000 0.000000 0.000000 0.000000	\$0.1430 \$0.3061 \$0.0466	- - -
Total Costs		\$	\$ 135,720

Exhibit B
SETL Cost Sharing Agreement

[Attached]

**AMENDED AND RESTATED COST SHARING AGREEMENT
FOR THE SOUTHEAST TRANSMISSION LINE PROJECT**

THIS AMENDED AND RESTATED COST SHARING AGREEMENT FOR THE SOUTHEAST TRANSMISSION LINE PROJECT (this "Agreement") is made by and among BAYBROOK MUNICIPAL UTILITY DISTRICT NO. 1 ("Baybrook MUD 1"), the CITY OF FRIENDSWOOD, TEXAS ("Friendswood"), the CITY OF HOUSTON, TEXAS ("Houston"), the CITY OF PASADENA, TEXAS ("Pasadena"), the CITY OF WEBSTER, TEXAS ("Webster"), CLEAR LAKE CITY WATER AUTHORITY ("CLCWA"), GULF COAST WATER AUTHORITY ("GCWA"), and HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55 ("MUD 55") (each a "Party" and collectively, the "Parties") for the purpose of providing for the design and construction of a new large-diameter water transmission line from the Southeast Water Purification Plant to the Parties' water transmission and distribution systems. For and in consideration of the premises and mutual covenants and agreements contained herein, the Parties agree as follows:

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- 11.7 Captions
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- 11.9 Enforcement
- 11.10 Ambiguities
- 11.11 Survival
- 11.12 Remedies Cumulative
- 11.13 Entire Agreement
- 11.14 Effect on Prior Agreements
- 11.15 Agreement for Operation and Maintenance

EXHIBITS

- A-1 – A-5 PROJECT MAPS
- B-1 – B-5 PARTICIPATION TABLES
- C-1 – C-5 PROJECT BUDGET
- D PROJECT SCHEDULE
- E CASH CALL SCHEDULE

ARTICLE I RECITALS

- 1.1 The Parties, along with several other entities that are not party to this Agreement, are participants in the Southeast Water Purification Plant, located at 3100 Genoa Red Bluff Road, Houston, Texas 77034 (the "Plant"), which is operated and maintained in accordance with the "Cost Sharing Agreement for the Southeast Water Purification Plant (Restated and Amended)," approved by Houston City Council by Ordinance No. 2001-0417 and countersigned on July 22, 2001 (the "2001 Agreement"), as amended by the "Amendment to the Cost Sharing Agreement for the Southeast Water Purification Plant (Restated and Amended)," approved by Houston City Council by Ordinance No. 07-0927 and countersigned on September 27, 2007 (the "2007 Amendment") (together, the 2001 Agreement and 2007 Amendment are referred to as the "Plant Agreement").
- 1.2 Treated water from the Plant is delivered to Baybrook MUD 1, Friendswood, Houston, Webster, CLCWA, GCWA, and MUD 55 through a 42-inch water transmission line, as described and depicted in Exhibit J to the 2007 Amendment (the "Existing Line"). The Parties desire to replace the Existing Line with a new larger-diameter water transmission line, as described and depicted in Exhibits A-1 through A-5 (the "Southeast Transmission Line"). Baybrook MUD 1, Friendswood, Houston, Webster, CLCWA, GCWA, and MUD 55 entered into the "Replacement Water Capacity and Cost Sharing Agreement – New Galveston Project," approved by the Houston City Council by Ordinance No. 2016-200 (the "Original Agreement"), to design, acquire real property for, and construct the Southeast Transmission Line, formerly referred to as the New Galveston Line (the "Project"). The Original Agreement provides for capacity allocation, cost sharing, and completion of the Project in three phases: (i) Phase 1 – preliminary engineering report; (ii) Phase 2 – final design, real estate acquisition, and bidding and construction contracting; and (iii) Phase 3 – construction. The Original Agreement only addresses the scope and cost of work associated with Phase 1, but contemplates one or more amendments to address the scope and cost of work associated with Phases 2 and 3.

- 1.3 Phase 1 of the Project is complete, and the Parties desire to amend the Original Agreement to address the scope and cost of work associated with Phases 2 and 3.
- 1.4 Pasadena, which was not a party to the Original Agreement but is a participant in the Plant, desires to participate in the Project and become a Party to this Agreement.
- 1.5 GCWA desires to increase its capacity in the transmission line and participation in the Project by an additional 20 MGD.
- 1.6 Accordingly, the Parties are entering into this Agreement, which shall supersede and replace the Original Agreement as provided in Section 11.14, to, among other things: (i) address the scope and cost of work associated with Phases 2 and 3; (ii) add Pasadena as a Party; (iii) adjust capacity allocations and cost sharing to reflect Pasadena's participation and GCWA's increased participation in the Project; and (iv) update the Exhibits.
- 1.7 These Recitals are hereby incorporated into and made a part of this Agreement.

ARTICLE II DEFINITIONS AND EXHIBITS

- 2.1 **Capitalized Terms Defined.** Unless the context provides otherwise, capitalized terms in this Agreement shall have the meanings provided below. Capitalized terms not defined below shall have the meanings given in the 2007 Amendment or the 2001 Agreement.

"2001 Agreement" has the meaning given in Section 1.1.

"2007 Amendment" has the meaning given in Section 1.1.

"Account" means one or more accounts established and controlled by the Managing Participant for the receipt and disbursement of funds contributed by the Parties for payment of Project Costs.

"Additional Funds" means an additional appropriation of funds authorized by a Party's governing body and deposited into the Account to cover Project Costs for Unforeseen Conditions equal to the Party's Cost Share.

"Affected Contracts" has the meaning given in Section 4.10.

"Agreed Upon Procedures Report" or **"AUP Report"** means an agreed upon procedures report and associated findings to review the accounting for and allocation to the Parties of Project Costs, produced by an independent accounting firm engaged by the Managing Participant under an agreed-upon procedures engagement conducted in accordance with: (i) Article IX of this Agreement; and (ii) the Statements on Standards for Attestation Engagements published by the American Institute of Certified Public Accountants.

"Budget" means the tables set forth in Exhibits C-1 through C-5, which: (i) reflect the estimated Project Costs by Phase and by construction contract; and (ii) will be updated from time to time in accordance with this Agreement.

"Capacity Share" has the meaning given in Section 3.2.

"Cash Call" means any one of a series of demands for funds from a Participant sent by the Project Director to pay for Project Costs in accordance with the requirements set forth in Section 4.4.

"Cash Call Due Date" means the date specified in a Cash Call on which the Parties must deposit cash into the Account.

"Cash Call Schedule" means the chart set forth in Exhibit E, which: (i) details the anticipated Cash Call Due Dates; and (ii) will be updated from time to time by the Project Director as necessary to reflect changes in the Project Schedule or Budget.

"Construction Contractor" means the contractor(s) engaged by the Managing Participant to construct one or more Segments of the Project.

"Construction Costs" means all costs associated with Construction Work, including, without limitation, all reasonable costs for labor, equipment, materials, electricity, fuel, construction management, inspections, materials testing, and related Cost Recovery Amounts.

"Construction Manager" means the professional service provider engaged by the Managing Participant to manage the Work of each Construction Contractor.

"Construction Work" means all Work required to construct the Project that is performed by or under the direction of the Construction Contractor.

"Consultant" means the professional service provider(s) engaged by the Managing Participant to assist in the planning, design, Project Property acquisition, and other Work for the Project.

"Contingencies" means an allowance to fund unforeseen changes in or additions to the Work.

"Cost Recovery Amounts" means the portion of the costs of the Managing Participant's employees' salaries, associated benefits, overhead, and itemized costs paid from the cost recovery fund (Houston's Fund 1001) that are allocated and attributable to the Project as shown in Exhibits C-1 through C-5.

"Cost Share" has the meaning given in Section 4.1.

“Cure Meeting” has the meaning given in Section 4.8.1.

“Cure Plan” has the meaning given in Section 4.8.4.

“Day” means calendar day.

“Delivery Date” means the date on which the Project Director sends written notice to a Participant that the Project is capable of delivering the Participant’s Reserved Capacity.

“Design Engineer” means the engineering firm(s) engaged by the Managing Participant to provide engineering design and construction oversight for the Project, or any portion thereof.

“Direct Employee” has the meaning given in Section 9.2.

“Director” means the Director of Houston Public Works, or his or her designee.

“Effective Date” means the date on which the City of Houston Controller countersigns this Agreement and this Agreement becomes effective and binding on the Parties.

“Efforts to Cure” has the meaning given in Section 4.8.1.

“Engineering Costs” means all costs associated with Engineering Work, including, without limitation, all reasonable costs for the Preliminary Engineering Report, final design, geotechnical investigations, inspections, surveys, estimates, line testing, materials testing, plans, specifications, investigations, permitting and regulatory review, and related Cost Recovery Amounts.

“Engineering Work” means all Work required during Phase 1, 2, and 3 to design, analyze, and test the Project that is performed by or under the direction of a professional engineer.

“Excess Reservation” has the meaning given in Section 4.10.

“Exhaustion Notice” has the meaning given in Section 4.9.1.

“Existing Line” has the meaning given in Section 1.2.

“FAR” has the meaning given in Section 9.3.1.

“Final Statement” has the meaning given in Section 9.7.

“Finance Director” means the Director of the City of Houston Department of Finance, or his or her designee.

“Force Majeure” means: (i) fires; interruption of utility services; breakage of machinery, pipelines, or canals; epidemics in the Houston Metropolitan Statistical Area; floods, hurricanes, tornadoes, ice storms, and other natural disasters; explosions; war; acts of terrorism against a Party; riots; strikes; court orders; and the acts of superior governmental or military authority; that (ii) the affected Party is unable to prevent by the exercise of reasonable diligence. The term does not include any changes in general economic conditions such as inflation, interest rates, economic downturn, or other factors of general application, or an event that merely makes performance more difficult, expensive, or impractical.

“Interest Rate” means the Managing Participant’s actual interest earning rate for its General Investment Pool. For reference purposes only, the Managing Participant publishes its quarterly interest earning rate for its General Investment Pool in the City of Houston Controller’s Quarterly Investment Report.

“Managing Participant” means Houston.

“MGD” means million(s) of gallons per day of water.

“Non-Approval” has the meaning given in Section 4.7.

“Non-Payment” has the meaning given in Section 4.4.5.

“Non-Project Items” has the meaning given in Section 7.3.3.

“Notice of Upcoming Cash Call” has the meaning given in Section 4.4.1.

“Noticed Participant” has the meaning given in Section 4.8.1.

“Noticed Representative” has the meaning given in Section 4.8.1.

“Original Agreement” has the meaning given in Section 1.2.

“Overhead” has the meaning given in Section 9.2.

“Paid Share” means the share of Project Costs paid by a Party, which limits the amount of Reserved Capacity that Party may receive. Paid Share excludes and may be reduced by interest due under Section 4.5 and any Project Costs related to modifying the Project under Section 4.10

“Participant(s)” means, individually or collectively, Baybrook MUD 1, Friendswood, Pasadena, Webster, CLCWA, GCWA, and MUD 55.

“Participation Table” means the tables set forth in Exhibits B-1 through B-5, which list the Parties’ Reserved Capacity and Capacity Shares in the Southeast Transmission Line.

"Phase" means a discrete stage of the Project.

"Phase 1" means all Work related to the Preliminary Engineering Report.

"Phase 2" means all Work related to the Final Design, Real Estate Acquisition, and bidding and contracting for Construction Work.

"Phase 3" means all Work related to construction of the Project, including Construction Work and associated Engineering Work.

"Phase 1 Financial Accounting Report" or "Phase 1 FAR" has the meaning given in Section 9.3.1.

"Phase 2 Financial Accounting Report" or "Phase 2 FAR" has the meaning given in Section 9.4.1.

"Plant" has the meaning given in Section 1.1.

"Plant Agreement" has the meaning given in Section 1.1.

"Point(s) of Delivery" means the output flange(s) on or the welded joint to the connection on the Project that will serve a Party, as more particularly identified and described in Exhibits A-1 through A-5, or such other location(s) on which the Project Director and the applicable Representative may agree in writing.

"Point(s) of Measurement" means the location of the meter at which the Managing Participant shall measure the Participant's consumption of water from the Project. The Point(s) of Measurement may be at different locations than the Point(s) of Delivery, or at such other location(s) on which the Project Director and the applicable Representative may agree in writing.

"Preliminary Engineering Report" means a report prepared by the Design Engineer containing: (i) surveys, preliminary plans and specifications, and proposed Project Property; (ii) estimated budgets and identified problems for the preliminary plans and specifications and Project Property, including alternative solutions; (iii) possible alternate bid Work Items recommended by the Design Engineer and the Project Director; and (iv) recommendations on whether and how to divide the Work into separate construction contracts.

"Project" has the meaning given in Section 1.2.

"Project Costs" means all costs to complete the Project, including, without limitation, costs for Engineering Work, Real Estate Work, bidding and construction contracting,

Construction Work, and Contingencies, and excluding any of such costs that are incurred exclusively for the benefit of one Party with that Party's prior written approval.

"Project Director" means the individual designated by the Director and authorized to act on behalf of the Managing Participant in the manner described in this Agreement.

"Project Property" means all easements, rights-of-way, and other real property interests necessary or desirable to construct, operate, and maintain the Project.

"Project Schedule" means the chart set forth in Exhibit D, which: (i) details the key events related to the Work, along with respective dates; and (ii) will be updated from time to time in accordance with this Agreement.

"Real Estate Costs" means all costs associated with Real Estate Work, including, without limitation, purchase costs, title documents and services, title policies, due diligence, surveying, closing costs, environmental mitigation, legal costs, including court costs and fees, and permitting necessary for acquisition or environmental mitigation.

"Real Estate Work" means all Work required to secure Project Property, whether by purchase or by condemnation.

"Representative" means the individual designated by and authorized to act on behalf of a Participant in the manner described in this Agreement.

"Reserved Capacity" means that portion of the Transmission Capacity for each Segment reserved to a Party, expressed in peak MGD, based on its Paid Share.

"Segment" means one of the discrete portions of the Southeast Transmission Line depicted on Exhibits A-1 through A-5, as such discrete portion may be altered as agreed upon in writing by the Project Director and the Representatives from time to time during the Project. Each Segment represents a portion of the Project where there is a change in flow due to a change in demand. Segments have been grouped together under separate construction contracts to facilitate construction and to fairly apportion Project Costs among the Parties.

"Southeast Transmission Line" has the meaning given in Section 1.2.

"Supplementary Information" has the meaning given in Section 7.3.2.

"TCEQ" means the Texas Commission on Environmental Quality, or any successor agency.

"Technical Consultant" means the engineering firm engaged by the Managing Participant to oversee the Work of each Design Engineer.

“Transmission Capacity” means the water transmission capacity of all Segments to be constructed under a single construction contract as set forth in Exhibits B-1 through B-5. Without the need to amend this Agreement, Exhibits B-1 through B-5 shall be updated, or supplemented, from time-to-time if the Reserved Capacity of any Participant changes pursuant to this Agreement. Any such updates or supplements shall be prepared and dated by the Managing Participant and shall be attached to this Agreement to replace and supersede the prior version. No additional action shall be needed by any Participant.

“True-up” means the process for ensuring that each Party pays its Cost Share.

“True-up Statement” has the meaning given in Section 9.5.3.

“Unforeseen Condition” means an unanticipated field condition, regulatory requirement, or similar contingency, including Force Majeure, which the Project Director reasonably believes may require a revision to the Budget, the Project Schedule, or both.

“Work” means any of the labor, materials, equipment, administration, and other similar efforts and items necessary or beneficial for the completion of the Project.

“WBS No.” means Work Breakdown Structure Number and refers to the construction contracts under which the Project will be completed. Multiple Segments shall be constructed under each WBS No., as further described in Exhibits B-1 through B-5.

“Work Item” means a discrete portion of the Work.

“Work Progress Report” has the meaning given in Section 5.3.

- 2.2 **Exhibits.** The exhibits listed in the Table of Contents are hereby incorporated into and made a part of this Agreement.

ARTICLE III OWNERSHIP AND CAPACITY SHARES

- 3.1 **Ownership of Southeast Transmission Line.** The Managing Participant shall own and hold legal title to the Southeast Transmission Line; provided, however, that the Parties shall each have an undivided equitable and beneficial interest in the use and benefit of Transmission Capacity in accordance with their respective Capacity Shares, defined in Section 3.2 below.
- 3.2 **Calculation of Capacity Shares.** A Party's pro rata share of Transmission Capacity in a Segment (**“Capacity Share”**), expressed as a percentage, shall be determined by the following formula:

$$A/B = C$$

Where:

A is the Party's Reserved Capacity in a Segment (expressed in MGD).

B is the Transmission Capacity of that Segment (expressed in MGD).

C is the Party's Capacity Share of that Segment (expressed as a percentage).

3.3 Participation Table.

3.3.1 The Participation Table shall list each Party's Reserved Capacity and Capacity Share for each Segment.

3.3.2 The Project Director shall update the Participation Table within 60 Days of the date on which the Houston City Council adopts a Cure Plan under Section 4.8 or exercises any option under Section 4.10.

3.4 No Additional Capacity or Participants. This Agreement allocates 100% of the capacity of the Project. Subject to Sections 4.8 and 4.10, no additional participants or capacity allocations shall be allowed without amendment to this Agreement approved by the governing bodies of all Parties.

**ARTICLE IV
PROJECT COSTS AND COST SHARES**

4.1 Calculation of Cost Share. A Party's pro rata share of Project Costs ("Cost Share") shall be determined as follows:

4.1.1 For Project Costs incurred during Phase 1, the Parties shall pay the following:

Baybrook MUD 1	2.27%
Friendswood	4.65%
Houston	12.85%
Pasadena	0.05%
Webster	6.70%
CLCWA	8.72%
GCWA	59.82%
MUD 55	4.94%

Project Costs for Phase 1: 100%

As of the Effective Date of this Agreement, Project Costs for Phase 1 have been incurred, and the Parties have paid the following amounts:

Baybrook MUD 1	\$36,248.00
Friendswood	\$97,869.60

Houston	\$231,987.20
Pasadena	\$0
Webster	\$121,430.80
CLCWA	\$202,988.80
GCWA	\$1,063,878.80
MUD 55	\$57,996.80

The Parties agree that the Project Costs for Phase 1 shall be reallocated among the Parties to reflect Pasadena's participation in the Project and GCWA's increased participation in the Project. Said reallocation is reflected in the percentages set forth in this Section 4.1.1 and shall be accomplished through a True-up made in accordance with Section 9.3.

- 4.1.2** For Project Costs incurred during Phases 2 and 3, a Party's Cost Share shall be determined by the following formula:

$$D \times E = F$$

Where:

D is the Party's Capacity Share for a Segment (expressed as a percentage).

E is the total Project Costs for that Segment (expressed in dollars).

F is the Party's Cost Share for that Segment (expressed in dollars).

4.2 Duty to Pay Cost Share.

- 4.2.1** Subject to the limitation set forth in Subsection 4.2.3, each Party represents and certifies to the other Parties that it has or will have on hand and lawfully available sufficient funds to pay its Cost Share at the time payment is due under this Agreement.

- 4.2.2** In order to receive its Reserved Capacity, each Party agrees to pay its Cost Share into the Account, through a series of Cash Calls described in Section 4.4, no later than the applicable Cash Call Due Date.

- 4.2.3** To the extent this Agreement contemplates future financial obligations of any Party, said obligations shall be subject to appropriation by its respective governing body as required by law.

- 4.3 Budget.** The Project Director has provided estimates of the Project Costs, as well as the manner of calculation of such costs and the Parties' respective Cost Shares of such costs, all as more specifically set forth on Exhibit C. The Project Director shall cause an

updated Budget to be prepared regularly (but not less than quarterly) and provided to the Participants throughout the Project.

4.4 Cash Calls.

4.4.1 The Project Director shall provide the Participants with written notice (the "Notice of Upcoming Cash Call") of: (i) the estimated Project Costs and Work Items to be paid with proceeds of any upcoming Cash Call; (ii) the estimated dollar amount due from each Party pursuant to the upcoming Cash Call, and the calculation thereof; and (iii) the estimated Cash Call Due Date. The Cash Call Due Date shall be no earlier than 60 Days after the date the Project Director sends the Notice of Upcoming Cash Call to the Participants. The Cash Call Due Date for all other Cash Calls shall be no earlier than 60 Days after the date the Project Director sends the Notice of Upcoming Cash Call to the Participants.

4.4.2 Except as may be agreed to in writing otherwise by the Project Director and the Representatives, each Cash Call Due Date shall be: (i) for each Participant, no earlier than the later of 60 Days after the date the Participant receives that particular Cash Call or the estimated Cash Call Due Date provided in the Notice of Upcoming Cash Call; and (ii) for the Managing Participant, 60 Days after the latest Participant's Cash Call Due Date. In no event shall a Cash Call Due Date be more than 18 months after the date the Project Director sends the Notice of Upcoming Cash Call to the Participants.

4.4.3 If a Participant pays the amount stated in the Cash Call after the Cash Call Due Date, the Participant shall pay interest accruing on the dates and at the rate set forth in Chapter 2251 of the Texas Government Code, as amended from time-to-time.

4.4.4 Any interest paid by a Participant under this Section shall not increase the Participant's Paid Share or Reserved Capacity.

4.4.5 If a Participant does not pay the amount stated in the Cash Call by the Cash Call Due Date ("Non-Payment"), the Project Director shall send the Participant written notice of Non-Payment and initiate Efforts to Cure under Section 4.8.

4.5 Account. The Project Director may spend funds in the Account for Project Costs associated with Work Items 30 Days after the Project Director makes a Cash Call for Project Costs associated with such Work Items. For the proportionate benefit of the Parties, the Finance Director shall be authorized to invest the funds on hand in the Account in the manner permitted by Texas law. The Parties may advance funds into the Account and accrue interest on unspent funds at the Interest Rate. In order to uphold applicable bond covenants and avoid tax liability, the Finance Director shall use current, applicable government accounting methods used by the Managing Participant. The Project Director shall calculate the accrued interest on the funds, and distribute the remaining proceeds from such interest earned, if any, as part of the True-up.

- 4.6 Additional Funds.** If, due to an Unforeseen Condition, the Project Director reasonably believes the amounts in the Account are insufficient to pay the Project Costs and Additional Funds will be necessary, the Project Director shall notify the Participants of the Unforeseen Condition and issue a Cash Call in accordance with Section 4.4 to request Additional Funds.
- 4.7 Governing Body Approval Required.** If the governing body of a Party fails to approve any item requiring approval in order to perform that Party's obligations under this Agreement ("Non-Approval"), that Party shall immediately send written notice of Non-Approval to all other Parties, and the Parties shall engage in Efforts to Cure under Section 4.8.
- 4.8 Efforts to Cure; Cure Plan.**
- 4.8.1** In the event of Non-Payment or Non-Approval by a Participant (the "Noticed Participant"), the Project Director shall provide written notice of the Non-Payment or Non-Approval to the Representative for said Participant (the "Noticed Representative") that states: (i) the event of Non-Payment or Non-Approval; and (ii) the date of a meeting (the "Cure Meeting") to negotiate in good faith to cure the Non-Payment or Non-Approval (the "Efforts to Cure"). The Cure Meeting shall be held within 60 Days of the notice of the Non-Payment or Non-Approval.
- 4.8.2** The Project Director shall notify the other Representatives of the Cure Meeting and invite them to attend and participate.
- 4.8.3** The Project Director shall accurately record the discussion that takes place at the Cure Meeting and any terms that the Parties agree to in principle.
- 4.8.4** Using the notes taken at the Cure Meeting, the Project Director shall send revised documents, such as a revised Project Schedule, Budget, or solicitation, incorporating the Parties' previous Efforts to Cure (the "Cure Plan"). The Project Director shall send the draft Cure Plan to the Noticed Representative for comments and approval, and to the other Representatives for notice and comments.
- 4.8.5** If the Noticed Representative returns comments on the Cure Plan within 30 Days, the Project Director shall send a revised Cure Plan to all Parties to address the Noticed Representative's comments and any comments from the other Representatives.
- 4.8.6** If the Noticed Representative and Project Director agree to a Cure Plan, they shall submit the Cure Plan to the other Representatives within 60 Days of reaching the agreement. If necessary, the Noticed Representative and the Project Director shall submit the Cure Plan to the governing bodies of all Parties to seek an amendment to this Agreement.

4.9 No Cure Plan; Exhaustion of Efforts to Cure.

4.9.1 If the Project Director and Noticed Representative cannot agree to a Cure Plan, then the Project Director shall send notice to the Noticed Participant and the other Participants that the Noticed Participant and the Managing Participant have exhausted Efforts to Cure (the "Exhaustion Notice").

4.9.2 Following issuance of the Exhaustion Notice, the Project Director shall send the Participants a report showing the estimated Paid Share of any Party not meeting its Cost Share, subject to the AUP Report under Section 9.5 and Final Statement under Section 9.7, and the Parties shall amend this Agreement as soon as practicable.

4.9.3 Following issuance of the Exhaustion Notice, and subject to a Final Statement reflecting the Noticed Participant's Paid Share, the Noticed Participant and Noticed Representative shall have no further rights to review, approve, or comment under this Agreement as to the matters at issue in the Exhaustion Notice.

4.10 Managing Participant's Options. The Managing Participant, with the approval of the Houston City Council and the consent of the number of Participants sufficient to constitute more than 50% of the remaining Cost Shares of the construction contract, identified by WBS No., affected by the Noticed Participant's Non-Payment or Non-Approval (the "Affected Contracts") (including Houston's Cost Share but excluding the Noticed Participant's Cost Share), shall have the right to take one or more of the following actions: (i) proceed with any Work associated with the Affected Contract with the other Participants without review or comment from the Noticed Participant; provided, however, that the Project Director shall continue to send the Noticed Participant all Project Schedules, Budgets, and Work Progress Reports sent to the other Participants under this Agreement; (ii) assume that portion of the Noticed Participant's Reserved Capacity in excess of the Noticed Participant's Paid Share (the "Excess Reservation") upon payment of the Noticed Participant's Cost Share for the Excess Reservation, with the right to retain or sell at cost all or a portion of the Excess Reservation to another Party; (iii) modify the Project to reduce the Transmission Capacity to eliminate the Excess Reservation, in which case the Noticed Participant shall be liable for any Project Costs necessary to modify the Project to eliminate the Excess Reservation; and/or (iv) assign the Excess Reservation to one or more of the other Parties upon payment of the Noticed Participant's Cost Share for the Excess Reservation.

**ARTICLE V
PROJECT MANAGEMENT AND SCHEDULE**

5.1 Project Management. The Managing Participant, through the Project Director, shall manage the Project in accordance with the Budget, Project Schedule, and applicable laws and regulations. The Project Director shall provide the Participants an opportunity to review and comment on drafts of requests for proposals and bid advertisements for

selection of the Design Engineer, Construction Contractor, and Consultant. The Managing Participant shall select and enter into contracts with one or more Design Engineer, Construction Contractor, and Consultant to complete the Project. The Managing Participant's responsibility to manage the Project pursuant to this Agreement shall not change the nature of the relationship established in other contracts between the Managing Participant and the Design Engineer, Construction Contractor, or Consultant.

- 5.2 **Project Schedule.** The Project Director shall maintain the Project Schedule. Any revisions to the Project Schedule shall be made on a quarterly basis and distributed to the Representatives.
- 5.3 **Work Progress Report.** On a quarterly basis, the Project Director shall update the Representatives concerning: (i) the Project Schedule and progress of the Work; (ii) any Unforeseen Condition; (iii) any change orders; (iv) any liens or claims related to the Work; and (v) the status of the Budget, the Account, and processing of invoices related to the Work (the "Work Progress Report").
- 5.4 **Bonds and Insurance.** The Managing Participant shall require the Design Engineer, Construction Contractor, and Consultants to provide adequate insurance coverage and bonds, if bonds are required, to meet applicable legal requirements and protect the Parties from reasonably foreseeable risks associated with the Work. The Project Director shall have sole discretion as to whether to make a claim on an insurance policy or bond in connection with the Project. If the Project Director makes a claim and funds remain after payments to any proper third-party claimant, the Project Director shall deposit proceeds from the claim or bond into the Account and may spend such funds on the Project Costs or distribute any refund as part of a True-up.
- 5.5 **Work Access.** The Project Director shall provide the Representatives reasonable access to the Work documents and Work. The Project Director shall have sole control over the actions of the Design Engineer, Construction Contractor, and Consultant. The Project Director shall have sole but reasonable discretion to decide what may significantly disrupt or delay the Work. Such Work access shall be during normal business hours and subject to such reasonable safety rules and procedures as the Project Director may impose.
- 5.6 **Work Review.** The Project Director shall investigate any comments on the work submittals made by a Representative and take such corrective actions as may be necessary and proper as determined by the Project Director.
- 5.7 **No Guarantee.** The Managing Participant's undertaking to manage the Project shall not be deemed or construed as a guarantee of the Project Costs or of the timely or successful completion of the Project in accordance with the Project Schedule, Budget, and plans and specifications; provided, however, that the Managing Participant agrees to use reasonable efforts to accomplish the Project within the Budget and Project Schedule. The Managing Participant shall not be liable for failure to complete the Project for the amounts provided

in the Budget or by the dates provided in the Project Schedule so long as reasonable efforts are made to accomplish the Project.

5.8 Representatives.

- 5.8.1** Each Participant shall designate an individual to serve as its Representative and an individual to serve as an alternate if the designated Representative is unavailable to perform as required in this Agreement. The Participant shall notify the Project Director of such designations and provide contact information for both individuals.
- 5.8.2** Unless otherwise provided in this Agreement or required by law, each Representative shall provide all necessary review and comments on behalf of its Participant for revised Project Schedules, Budgets, Participation Tables, Project Property and any other Work Item as requested by the Project Director.
- 5.8.3** The Representative shall respond in writing to all requests for review and comment from the Project Director under this section, and the Representative shall not unreasonably withhold or delay such review and comments.
- 5.8.4** Unless otherwise specified in this Agreement or determined by the Project Director, 30 Days shall be deemed a reasonable period of time for response. A Representative shall be deemed to have no comment on any matter for which the Representative fails to provide a written response by the later of: (i) 30 Days of the date the Managing Participant sends a request for review and comment, (ii) the time period provided by the Director to the Representatives with the request for review and comment, or (iii) as otherwise provided in this Agreement.
- 5.8.5** Notwithstanding anything in this Agreement to the contrary, a Representative shall not be entitled to review, comment on, or approve or reject any matter concerning a Segment in which its Participant does not have Reserved Capacity.

**ARTICLE VI
PHASE 1**

- 6.1 Preliminary Engineering Report.** The Parties acknowledge that, in compliance with the Original Agreement, the Managing Participant engaged a Design Engineer to prepare a Preliminary Engineering Report for the Project, provided the Representatives with copies of the Preliminary Engineering Report for review and comment, and received comments from the Representatives in connection with the review and approval of the Preliminary Engineering Report.

**ARTICLE VII
PHASE 2**

- 7.1 Final Design.**

- 7.1.1** In accordance with applicable law, the Managing Participant shall engage one or more Design Engineers to design one or more Segments of the Project. Upon procuring the services of such firm, the Project Director shall provide the Representatives with notice of the Managing Participant's intent to engage such firm, which notice shall include: (i) the estimated Project Costs included in such engineering contract; and (ii) the Parties' respective Cost Shares of same.
- 7.1.2** The Managing Participant shall engage a Technical Consultant to oversee the work of the Design Engineers. Upon procuring the services of such firm, the Project Director shall provide the Representatives with notice of the Managing Participant's intent to engage such firm, which notice shall include: (i) the estimated Project Costs included in such consulting contract; and (ii) the Parties' respective Cost Shares of same.
- 7.1.3** Except as may otherwise be agreed upon by the Project Director and the Representatives, upon completion of the 60%, 90%, and final plans and specifications for the Project, the Project Director shall provide the Representatives with copies of the plans and specifications, and any addenda or supplements thereto, for review and comment. The Representatives shall provide their comments to the Project Director within 30 Days of receipt of the 60% and 90% plans, and within 10 Days of receipt of the final plans and any addenda. Each Representative, contemporaneously with providing written comments, if any, to the Project Director pursuant to this section, shall provide a copy of its comments to the other Representatives. If requested by a Representative, the Project Director shall schedule a meeting with the Representatives to review and discuss such comments. After such meeting, the Project Director shall cause the Parties' comments to be integrated and included on such plans and specifications where such integration and inclusion are practical, as reasonably determined by the Project Director.
- 7.2** **Real Estate Acquisition.** The Managing Participant shall be responsible for the acquisition of all Project Property. If necessary, the Managing Participant shall condemn any land required for rights-of-way, sites, and easements for the Project.
- 7.3** **Bidding and Contracting for Construction Work.**
- 7.3.1** Subject to the requirements of Section 7.3.2 and applicable laws regarding procurement, the Managing Participant shall solicit bids and enter into one or more contracts for construction of the Project.
- 7.3.2** Prior to advertising the first invitation to bid, the Managing Participant shall send the Representatives the following information: (i) the estimated Project Costs included in such construction contract; (ii) the Parties' respective Cost Shares of same; (iii) the then-current balance of the Account and the allocation of such balance to each Party (collectively, the "Supplementary Information").

- 7.3.3 The Project Director may, in his or her reasonable discretion, include in any construction contract one or more work items to be performed for the benefit of less than all of the Parties, but such items are not part of the Project and the costs related to same are not Project Costs ("Non-Project Items"). If the Managing Participant includes any Non-Project Items in a construction contract at the written request and for the benefit of a Participant, the Participant shall be obligated to pay for its share of the costs of same in proportion to the Participant's benefit resulting therefrom and in accordance with this Agreement as though such costs were Project Costs. If any Non-Project Items are included in a construction contract and the Participant did not request such items in writing, the Managing Participant shall provide written notice to the Participant of its intent to include the Non-Project Items in a construction contract and the estimated costs of same, and the Participant shall not be obligated to pay for any costs related to same. The Managing Participant shall list any Non-Project Items as separate line items in the bid documents for the construction contract in which Non-Project Items are included. In addition, the Managing Participant shall be responsible for sending invoicing for and executing work on Non-Project Items as if they were part of the Project.

ARTICLE VIII PHASE 3

8.1 Construction Contracts.

- 8.1.1 The Project shall be constructed pursuant to the construction contracts identified by WBS No. referenced in Exhibits B-1 through B-5, to be entered into by the Managing Participant at such time as it is determined reasonably necessary by the Managing Participant to achieve completion of the Project in accordance with the Project Schedule.
- 8.1.2 The Managing Participant shall engage a Construction Manager to manage the Construction Work. Upon procuring the services of such firm, the Project Director shall provide the Representatives with notice of the Managing Participant's intent to engage such firm, which notice shall include: (i) the estimated Project Costs included in such contract; and (ii) the Parties' respective Cost Shares of same.
- 8.1.3 The Managing Participant, acting through the Construction Manager, shall administer the construction contract(s) in accordance with applicable governmental rules and regulations. The Construction Manager will monitor, or will cause to be monitored, the construction for general conformation with the plans and specifications and to ensure that the Work is performed in a good and workmanlike manner and generally in accordance with all applicable rules, regulations, and requirements of the governmental entities having jurisdiction

over the construction of the Project. The Representatives shall be invited to monthly construction progress meetings to keep current on the Project and offer comments.

- 8.2 **Work Change Directives.** The Project Director is authorized, without prior review and comment by the Representatives, to issue a work change directive; provided, however, that the Project Director shall notify the Representatives of the work change directive as soon as practicable.
- 8.3 **Change Orders.** The Project Director shall submit any change order that increases a particular construction contract price by more than 5% to the Representatives for review and comment. If a Representative does not make written objection within 5 Days after receipt of the change order, the Managing Participant may assume the Participant has no comments on the change order; provided, however, that additional time for review and comment may be granted by the Managing Participant to the Participant upon the Participant's request if such additional time will not adversely affect the Project Schedule or any timeline under the construction contract. If an objection is made by a Participant, the Managing Participant shall reasonably consider the objection and use good faith efforts to address it where practical.
- 8.4 **Site Visits and Reports.** The Project Director shall provide the applicable Representatives with notice of and an opportunity to participate in any inspection and walk-through, including participation in the development of final punch lists and final acceptance.
- 8.5 **Delivery Date.** The Project Director shall send written notice to the Parties when the Project is capable of delivering the Party's Reserved Capacity.

ARTICLE IX PROJECT ACCOUNTING AND FINAL STATEMENT

- 9.1 **Payment for Work.** As the Project Director receives invoices for the Work from the Design Engineer, Construction Contractor, or Consultants, the Project Director shall review and approve, disapprove, or modify such invoices and shall be authorized to draw upon the funds in the Account, in accordance with the Project Schedule and Budget, for payment of the same. The Project Director shall include a summary of this information to the Representatives in the Work Progress Reports.
- 9.2 **Cost Recovery Amounts.** Cost Recovery Amounts shall include a portion of the salary and associated benefits for each of the Managing Participant's employees who track their hours worked on the Project (each a "Direct Employee"), plus a portion of the costs in the Managing Participant's Fund 1001 that are not associated with salaries and benefits for Direct Employees ("Overhead"), both of which shall be calculated as described in Exhibit C.

9.3 Phase 1 Financial Accounting Report.

- 9.3.1 Within 90 Days of the Effective Date of this Agreement, the Managing Participant shall initiate the preparation of a Financial Accounting Report ("FAR") for Phase 1 (the "Phase 1 FAR") in order to verify that each Party has paid its appropriate share of Project Costs for Phase 1. The Phase 1 FAR shall also verify that the Managing Participant used the funds paid by the Parties under Section 4.5 in accordance with such section. The Phase 1 FAR shall be prepared in accordance with the accounting procedures to be agreed upon by the Project Director and the Representatives and shall take into account all Project Costs for Phase 1, each Party's Cost Share of those costs, and any interest accrued.
- 9.3.2 The Managing Participant shall cause the Phase 1 FAR to be completed within 120 Days after it is initiated. As soon as the Phase 1 FAR has been completed, the Project Director shall submit a copy of the Phase 1 FAR to the Representatives for review. The Representatives shall have 60 Days to review the Phase 1 FAR and to provide comments on same to the Managing Participant. The Managing Participant shall address the Participants' comments and approve the Phase 1 FAR within 60 Days of date on which the Participants' comments are due unless the Representatives and the Project Director agree otherwise. Notwithstanding the foregoing, the Project Director and the Representatives may agree in writing to vary the aforementioned schedule for completion of the Phase 1 FAR.
- 9.3.3 In accordance with the Phase 1 FAR, the Parties agree to "true-up" the payments for Phase 1 such that if any Party has underpaid its Cost Share of Project Costs for Phase 1, the Managing Participant will debit the amount of such underpayment from that Party's allocation of the balance in the Account. Conversely, if any Party has overpaid any such costs according to the Phase 1 FAR, the Managing Participant will credit the amount of such overpayment to that Party's allocation of the balance in the Account.

9.4 Phase 2 Financial Accounting Report.

- 9.4.1 Within 90 Days of the date on which Phase 2 is completed, the Managing Participant shall initiate the preparation of an FAR for Phase 2 (the "Phase 2 FAR") in order to verify that each Party has paid its appropriate share of Project Costs for Phase 2. The Phase 2 FAR shall also verify that the Managing Participant used the funds paid by the Parties under Section 4.5 in accordance with such section. The Phase 2 FAR shall be prepared in accordance with the accounting procedures to be agreed upon by the Project Director and the Representatives and shall take into account all Project Costs for Phase 2, each Party's Cost Share of those costs, and any interest accrued.
- 9.4.2 The Managing Participant shall cause the Phase 2 FAR to be completed within

120 Days after it is initiated. As soon as the Phase 2 FAR has been completed, the Project Director shall submit a copy of such Phase 2 FAR to the Representatives for review. The Representatives shall have 60 Days to review the Phase 2 FAR and to provide comments on same to the Managing Participant. The Managing Participant shall address the Participants' comments and approve the Phase 2 FAR within 60 Days of date on which the Participants' comments are due unless the Representatives and the Project Director agree otherwise. Notwithstanding the foregoing, the Project Director and the Representatives may agree in writing to vary the aforementioned schedule for completion of the Phase 2 FAR.

- 9.4.3 In accordance with the Phase 2 FAR, the Parties agree to "true-up" the payments for Phase 2 such that if any Party has underpaid its Cost Share of Project Costs for Phase 2, the Managing Participant will debit the amount of such underpayment from that Party's allocation of the balance in the Account. Conversely, if any Party has overpaid any such costs according to the Phase 2 FAR, the Managing Participant will credit the amount of such overpayment to that Party's allocation of the balance in the Account.

9.5 Agreed Upon Procedures Report.

- 9.5.1 Within 90 Days of the date on which the Managing Participant issues a certificate of final completion for the last Segment of Phase 3, the Managing Participant shall initiate the preparation of an Agreed Upon Procedures Report (the "AUP Report") in order to verify: (i) that each Party has paid its appropriate share of Project Costs for Phase 3; (ii) debits made from or credits issued to the Account to any Party pursuant to Sections 9.3 and 9.4; (iii) the allocations among the Parties of the balance remaining in the Account; and (iv) that the Managing Participant used the funds paid by the Parties under Section 4.5 in accordance with such section. The Managing Participant shall engage an independent certified public accounting firm, with consent of the Representatives, to conduct the AUP Report. The AUP Report shall be prepared in accordance with the accounting procedures to be agreed upon by the Project Director and the Representatives and shall take into account all Project Costs for Phase 3, each Party's Cost Share of those costs, and any interest accrued.
- 9.5.2 The Managing Participant shall cause the AUP Report to be completed within 120 Days after it is initiated. As soon as the AUP Report has been completed, the Project Director shall submit a copy of such AUP Report to the Representatives for review. The Representatives shall have 60 Days to review the AUP Report and to provide comments on same to the Managing Participant. The Managing Participant shall address the Participants' comments and approve the AUP Report within 60 Days of the date on which the Participants' comments are due unless the Representatives and the Project Director agree otherwise. Notwithstanding the foregoing, the Project Director and the Representatives may

agree in writing to vary the aforementioned schedule for completion of the AUP Report.

- 9.5.3 In accordance with the AUP Report, the Parties agree to “true-up” the payments for the Project. Upon the Project Within 60 days of the Director’s approval of the AUP Report, the Project Director shall issue each Participant either: (i) a refund, including any accrued interest, if funds deposited by the Participant are unspent and remaining in the Account; or (ii) a statement of the amount of funds that the Participant must pay into the Account before it may receive its Reserved Capacity stated in the Participation Table (the “True-up Statement”).
- 9.6 **TCEQ Requirements.** Any Participant may request that the AUP Report meet the requirements of the TCEQ for audits of developer reimbursement from the proceeds of bonds issued by districts subject to TCEQ approval. However, the firm conducting the AUP Report shall separately account for the increased cost of meeting the TCEQ requirements, and only the Participants requesting that the AUP Report meet the TCEQ requirements shall bear the costs of doing so.
- 9.7 **Final Statement.** Within 30 Days after a Participant pays or receives any funds owed under the True-up Statement, the Project Director shall issue a written statement (the “Final Statement”) declaring that the Participant does not owe and is not owed any amount under this Agreement, and stating the Participant’s Reserved Capacity based on its Paid Share.
- 9.8 **Paid Share.** Regardless of any amount specified elsewhere in this Agreement or in the Participation Table, no Party shall be entitled to Reserved Capacity above its Paid Share.
- 9.9 **Inspection and Review.** The Representatives shall have the right during normal business hours and with reasonable notice to inspect the Account and the related books and records of the Managing Participant during the term of this Agreement.
- 9.10 **Additional Staff.** At the request of the Participants, the Managing Participant will hire one full-time staff-level employee whose duties shall include tracking expenses and providing accounting for the Project, in addition to other similar duties relating to the Project and are approved by the Managing Participant. The Parties agree that said employee shall be a Direct Employee for purposes of Section 9.2, and that 100% of said employee’s salary and benefits shall be part of the Cost Recovery Amount so long as 100% of said employee’s time is dedicated to the Project.

ARTICLE X METERING AND PRESSURE MONITORING

- 10.1 **Connection and Meter.** Each Participant shall construct, at its sole cost, water handling facilities between the Point(s) of Delivery and the Point(s) of Measurement and set the water meter(s) at the Point(s) of Measurement under the mutual approval and inspection of the Project Director and its Representative. Before any connection, the Participant’s water

system shall be disinfected in accordance with requirements approved by the Director. Each Participant also agrees to provide an electronic connection accessible at the Point(s) of Measurement. The Managing Participant shall install, own, maintain, and replace the meters located at the Participants' Points of Measurement. The Parties agree that the Managing Participant may repurpose the meters in use on the Existing Line, or may purchase new meters.

- 10.2 Pressure Monitoring.** In-line pressure boosting facilities downstream of the Point(s) of Delivery are not permitted. Houston shall construct, install and maintain a SCADA system capable of recording flow, flow rate, and pressure at each Point of Delivery with all data transmitted to the Plant on a continuous basis. Houston shall retain such data and make available to all Parties upon request. The Participant shall be provided access to such pressure data on a continual basis.

ARTICLE XI MISCELLANEOUS PROVISIONS

- 11.1 Term.** This Agreement is effective on the Effective Date and shall remain in effect: (i) for each Participant, until the Project Director issues a Final Statement to that Participant; and (ii) for the Managing Participant, until the Project Director has issued all Participants a Final Statement. Upon receiving a Final Statement, the Participant's obligations under this Agreement shall be discharged, and the True-up, Paid Share, and Final Statement shall be cumulative of the Managing Participant's and the Participant's remedies under this Agreement.
- 11.2 Force Majeure.**
- 11.2.1** Timely performance by all Parties is essential to this Agreement. However, no Party shall be liable for reasonable delays in performing its obligations under this Agreement to the extent the delay is caused by Force Majeure that directly affects the Party. The event of Force Majeure may permit a reasonable delay in performance but does not excuse a Party's obligations to complete performance under this Agreement.
- 11.2.2** Force Majeure does not entitle a Party to extra payment or interest.
- 11.2.3** This relief is not applicable unless the affected Party uses due diligence to continue performance notwithstanding the Force Majeure and provides the other Parties with prompt written notice of the cause and its anticipated effect.
- 11.3 Severability.** If any part of this Agreement is for any reason found to be unenforceable, all other parts remain enforceable unless the result materially prejudices any Party.
- 11.4 Written Amendment.** Unless otherwise specified elsewhere in this Agreement, this Agreement may be amended only by written instrument executed by the Parties' governing bodies.

- 11.5 **Applicable Laws.** This Agreement is subject to the laws of the State of Texas, the local laws applicable to each Party, the laws of the federal government of the United States, and all rules and regulations of any regulatory body or officer having jurisdiction. Venue for any litigation relating to this Agreement is Harris County, Texas.
- 11.6 **Notices.** All notices required or permitted by this Agreement must be in writing and are deemed delivered on the earlier of the date actually received or the third Day following: (i) deposit in a United State Postal Service post office or receptacle; (ii) with proper postage (certified mail, return receipt requested); and (iii) addressed to the other Party at the address provided in the 2001 Agreement.
- 11.7 **Captions.** Captions contained in this Agreement are for reference only and have no effect in construing this Agreement. The captions are not restrictive of the subject matter of any section in this Agreement.
- 11.8 **Non-Waiver.** If any Party fails to require another Party to perform a term of this Agreement, that failure shall not prevent the Party from later enforcing that term and all other terms. If any Party waives another Party's breach of a term, that waiver shall not waive a later breach of this Agreement.
- 11.9 **Enforcement.** The Houston City Attorney, or his or her designee, may enforce all of the Managing Participant's legal rights and obligations under this Agreement without further authorization.
- 11.10 **Ambiguities.** If any term of this Agreement is ambiguous, it shall not be construed for or against any Party on the basis that the Party did or did not write it.
- 11.11 **Survival.** Each Party shall remain obligated to the other Parties under all terms of this Agreement that expressly or by their nature extend beyond the expiration or termination of this Agreement.
- 11.12 **Remedies Cumulative.** Unless otherwise specified elsewhere in this Agreement, the rights and remedies contained in this Agreement are not exclusive, but are cumulative of all rights and remedies that exist now or in the future. No Party may terminate its duties under this Agreement except in accordance with its terms.
- 11.13 **Entire Agreement.** This Agreement merges the prior negotiations and understandings of the Parties and embodies the entire agreement of the Parties regarding the Project. No other agreements, assurances, conditions, covenants (express or implied), or other terms of any kind exist between the Parties regarding the Project.
- 11.14 **Effect on Prior Agreements.** This Agreement supersedes and replaces the Original Agreement. This Agreement does not alter or amend the Plant Agreement except to replace Exhibit J of the 2007 Amendment with Exhibit A to this Agreement, which shall occur

automatically without further action of the Parties upon final completion of the Project. If there are any conflicts between the Plant Agreement and this Agreement as they relate to the Southeast Transmission Line or the Project, this Agreement shall control.

- 11.15 **Agreement for Operation and Maintenance.** The Parties agree to negotiate in good faith an agreement for operation and maintenance of the Southeast Transmission Line and the Plant, which agreement will supersede and replace the Plant Agreement, to be effective no later than the date of substantial completion of the Project.

IN WITNESS WHEREOF, the Parties have executed this Agreement in multiple copies, each of which is an original. This Agreement is binding only after all Parties have signed this Agreement. Each person signing this Agreement represents and warrants that he or she is duly authorized and has legal capacity to execute and deliver this Agreement. Each Party represents and warrants to the other that the execution and delivery of this Agreement and the performance of such Party's obligations hereunder have been duly authorized and that this Agreement is a valid and legal agreement binding on such Party and enforceable in accordance with its terms.

(Signatures appear on following pages.)

ATTEST/SEAL:

**BAYBROOK MUNICIPAL UTILITY
DISTRICT NO. 1**

By: _____
Name:
Title:

By: _____
Name:
Title:

ATTEST/SEAL:

CITY OF FRIENDSWOOD, TEXAS

By: _____
Name:
Title:

By: _____
Name:
Title:

ATTEST/SEAL:

CITY OF HOUSTON, TEXAS

City Secretary

Mayor

APPROVED:

COUNTERSIGNED:

Director, Houston Public Works

City Controller

APPROVED AS TO FORM:

DATE COUNTERSIGNED:

Assistant City Attorney
L.D. File No. _____

ATTEST/SEAL:

CITY OF PASADENA, TEXAS

By: _____
Name:
Title:

By: _____
Name:
Title:

ATTEST/SEAL:

CITY OF WEBSTER, TEXAS

By: _____
Name:
Title:

By: _____
Name:
Title:

ATTEST/SEAL:

CLEAR LAKE CITY WATER AUTHORITY

By: _____
Name:
Title:

By: _____
Name:
Title:

ATTEST/SEAL:

GULF COAST WATER AUTHORITY

By: _____
Name:
Title:

By: _____
Name:
Title:

ATTEST/SEAL:

**HARRIS COUNTY MUNICIPAL UTILITY
DISTRICT NO. 55**

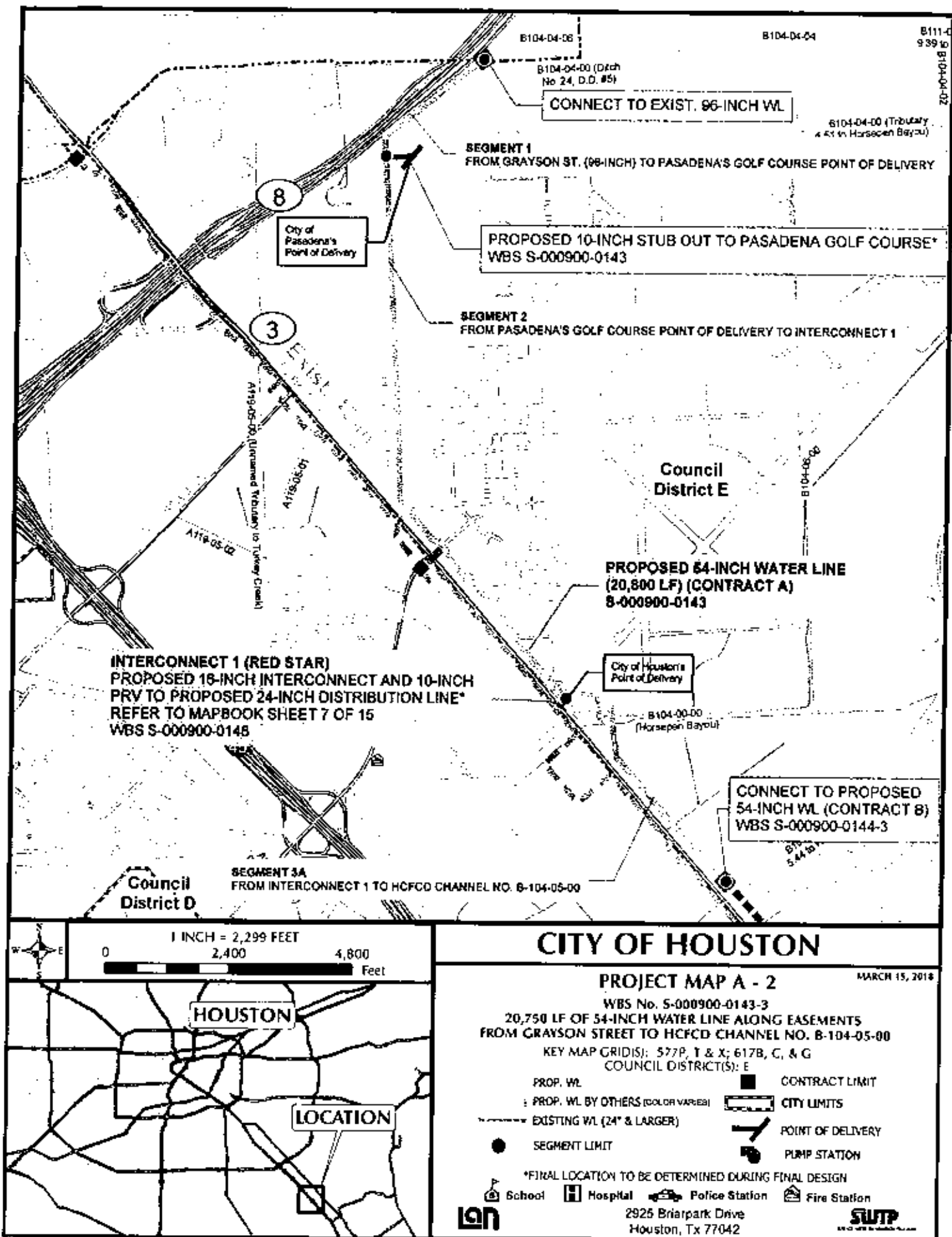
By: _____
Name:
Title:

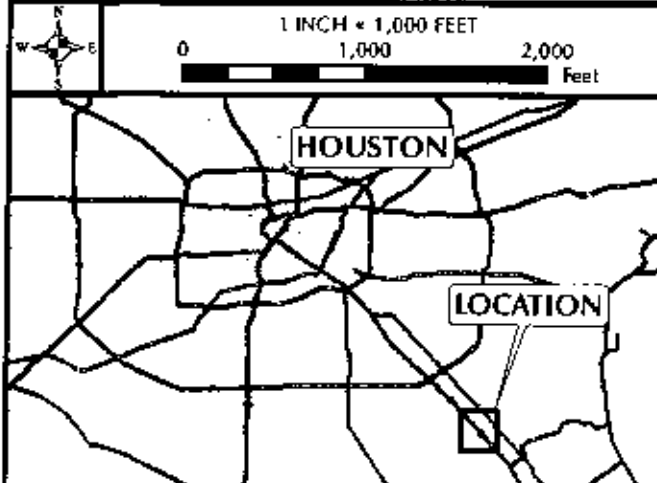
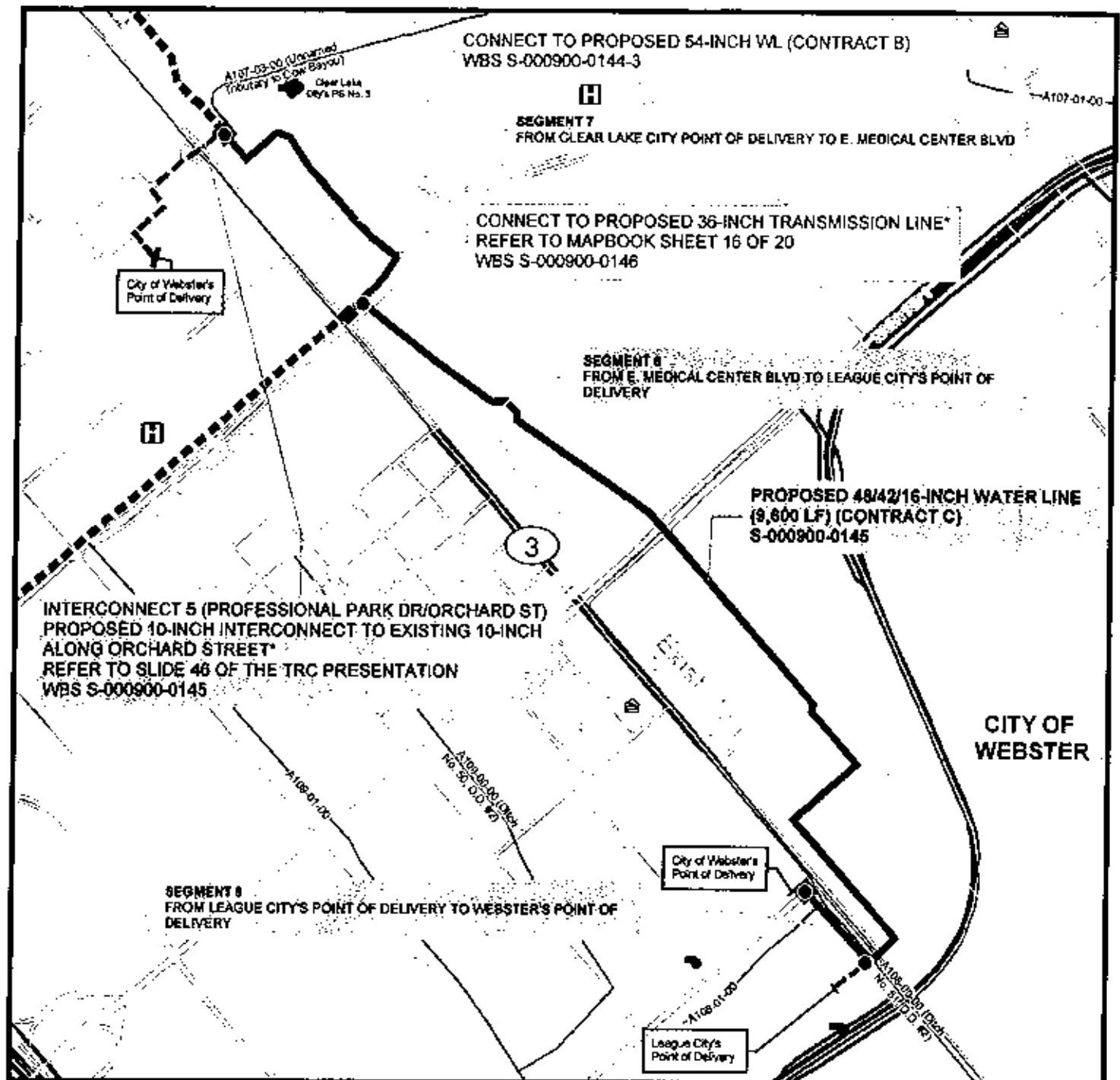
By: _____
Name:
Title:

**EXHIBIT A
PROJECT MAPS**

See attached Project Maps labeled A-1 through A-5, which depict the Southeast Transmission Line in its entirety and by Segment.







CITY OF HOUSTON

PROJECT MAP A - 4

MARCH 15, 2018

WBS No. S-000900-0145-3
9,600 LF OF 48/42/16-INCH WATER LINE ALONG EASEMENTS AND HIGHWAY 3 FROM CLEAR LAKE CITY PUMP STATION NO. 3 TO MAGNOLIA AVENUE AND ABANDONMENT OF EXISTING 42-INCH WATER LINE ALONG OLD GALVESTON ROAD

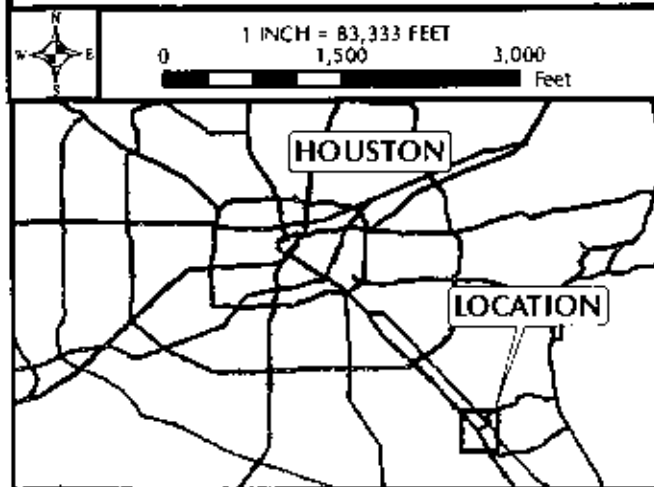
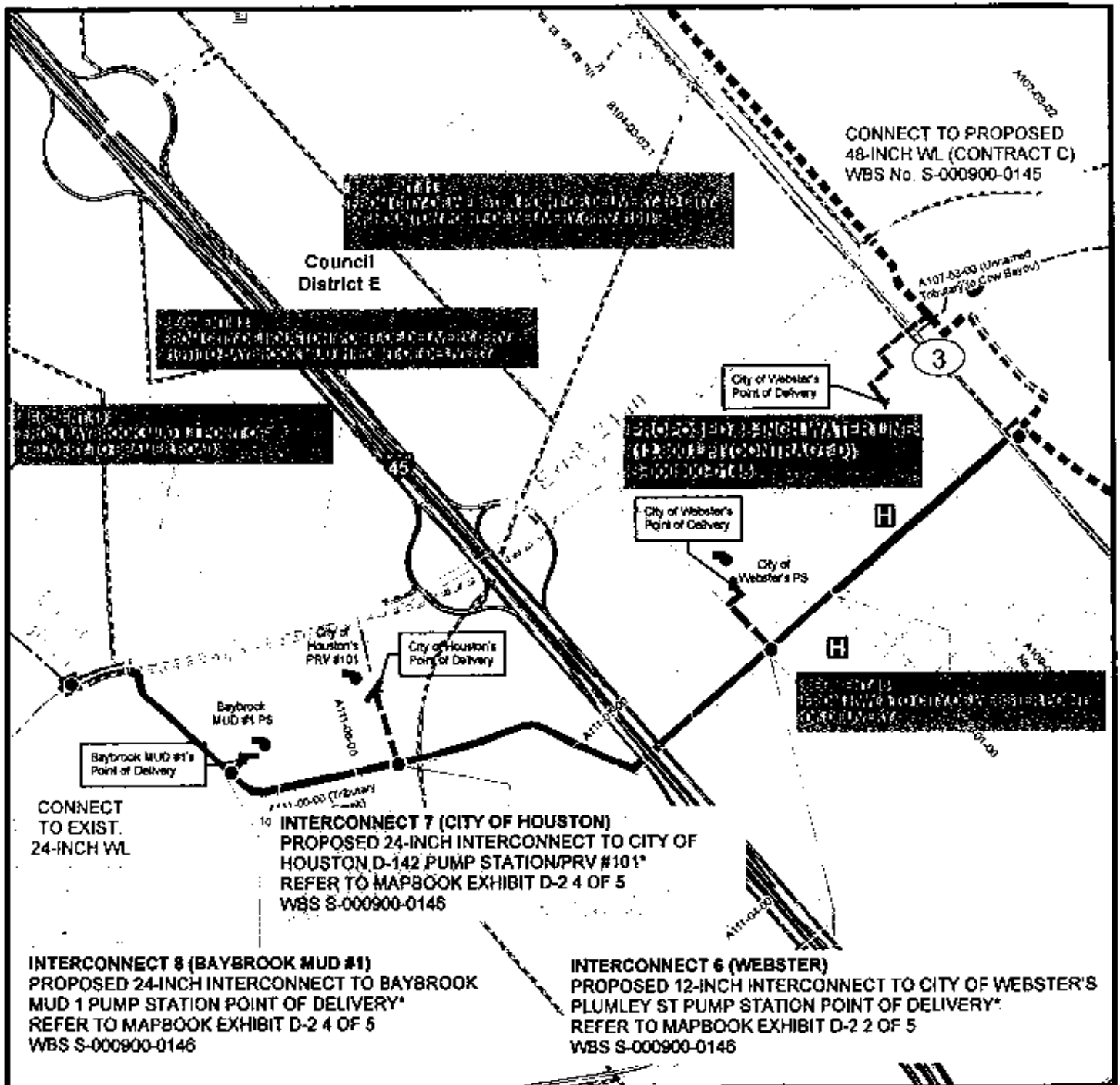
KEY MAP GRID(S): 618T, X, Y
COUNCIL DISTRICT(S): E

- PROPOSED PROP. WL
- PROPOSED PROP. WL BY OTHERS (COLOR VARIES)
- EXISTING WL (24" & LARGER)
- SEGMENT LIMIT
- SCHOOL
- HOSPITAL
- POLICE STATION
- FIRE STATION
- CONTRACT LIMIT
- CITY LIMITS
- POINT OF DELIVERY
- PUMP STATION

*FINAL LOCATION TO BE DETERMINED DURING FINAL DESIGN

2925 Briarpark Drive
Houston, Tx 77042





CITY OF HOUSTON

PROJECT MAP A - 5

MARCH 15, 2018

WBS No. S-000900-0146-3

12,800 LF OF 36-INCH WATER LINE SOUTH OF BAY AREA BLVD, PARALLEL TO HCFCD EASEMENT UNIT A-111-00-00 AND ALONG W. MEDICAL CENTER BLVD FROM HIGHWAY 3 TO BEAMER RD & ABANDONMENT OF EXIST. 24-INCH WL ALONG BAY AREA BLVD

KEY MAP GRID(S): 618T, X, W; 617Z
 COUNCIL DISTRICT(S): E

PROP. WL PROP. WL BY OTHERS EXISTING WL (24" & LARGER) SEGMENT LIMIT School Hospital Police Station Fire Station	CONTRACT LIMIT CITY LIMITS POINT OF DELIVERY PUMP STATION <p>*FINAL LOCATION TO BE DETERMINED DURING FINAL DESIGN</p>
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2925 Briarpark Drive
 Houston, Tx 77042

SUMP

EXHIBIT B
PARTICIPATION TABLES

See attached Participation Tables labeled B-1 through B-5.

Exhibit B - 1
Southeast Transmission Water Line Contract Participation Summary

Contract A: 15-000000-015A (Contract A) Total Project Cost		
City of Webster	7.85%	\$2,521,589
Gulf Coast Water Authority (GCWA)	50.5%	\$16,221,574
City of Friendswood	6.5%	\$2,099,569
Baybrook MUD #1	4.5%	\$1,460,305
HC MUD #55	4.8%	\$1,536,090
Clear Lake City Water Authority (CLCWA)	13.5%	\$4,329,097
City of Houston	12.2%	\$3,918,018
City of Pasadena	0.15%	\$46,748
Total	100.0%	\$32,143,000

Contract B: 15-000000-015B (Contract B) Total Project Cost		
City of Webster	8.1%	\$1,548,328
Gulf Coast Water Authority (GCWA)	52.0%	\$16,307,970
City of Friendswood	6.7%	\$2,112,074
Baybrook MUD #1	4.7%	\$1,461,130
HC MUD #55	4.9%	\$1,551,176
Clear Lake City Water Authority (CLCWA)	13.9%	\$4,348,792
City of Houston	9.7%	\$3,041,530
Total	100.0%	\$34,371,000

Contract C: 15-000000-015C (Contract C) Total Project Cost		
City of Webster	10.7%	\$2,763,423
Gulf Coast Water Authority (GCWA)	77.2%	\$19,876,497
City of Friendswood	2.96%	\$762,151
Baybrook MUD #1	2.1%	\$534,086
HC MUD #55	1.96%	\$506,312
Clear Lake City Water Authority (CLCWA)	2.8%	\$725,550
City of Houston	2.28%	\$585,981
Total	100.0%	\$25,754,000

Contract D: 15-000000-015D (Contract D) Total Project Cost		
City of Houston	33.9%	\$9,677,084
City of Webster	6.2%	\$1,770,713
Baybrook MUD #1	14.2%	\$4,067,649
HC MUD #55	19.4%	\$5,528,553
City of Friendswood	26.3%	\$7,401,001
Total	100.0%	\$28,545,000

¹ Pro Rata Share percentages calculated as a percentage of each participant's cost of the total project cost. Pro Rata Share percentages calculated to ten decimals not shown on table.

² Project costs for the Segment, includes Engineering Costs, Real Estate Costs, Construction Costs, and Contingencies, except any of such costs that are incurred exclusively for the benefit of one Party and with that Party's prior written approval.

Total Project Cost⁽²⁾ (Contracts A + B + C + D) \$117,813,000

Exhibit B - 2
Southeast Transmission Water Line Contract Participation Table
WBS No. S-000900-0143 (CONTRACT A)

20,800 LF of 54-inch Water Line along Easements from Grayson Street to HCFCO Channel No. B-104-05-00

Segment 1 54" from Grayson St. (96") to the Pasadena Golf Course Point of Delivery			
	Capacity (MGD)	Percent of Total Capacity	Pro Rata Share (\$)
City of Webster	5.83	7.7%	\$276,892
Gulf Coast Water Authority (GCWA)	37.50	49.5%	\$1,780,020
City of Friendswood	4.84	6.4%	\$230,144
Baybrook MUD #1	3.37	4.5%	\$161,820
HC MUD #55	3.55	4.7%	\$169,012
Clear Lake City Water Authority (CLCWA)	10.00	13.2%	\$474,672
City of Houston	9.60	12.7%	\$456,692
City of Pasadena	1.00	1.3%	\$46,748
Total	75.69	100.0%	\$3,596,000

Segment 2 54" from Pasadena Golf Course Point of Delivery to Interconnect 1 (Red Star)			
	Capacity (MGD)	Percent of Total Capacity	Pro Rata Share (\$)
City of Webster	5.83	7.8%	\$1,144,806
Gulf Coast Water Authority (GCWA)	37.50	50.2%	\$7,367,854
City of Friendswood	4.84	6.5%	\$954,005
Baybrook MUD #1	3.37	4.5%	\$660,465
HC MUD #55	3.55	4.75%	\$697,137
Clear Lake City Water Authority (CLCWA)	10.00	13.4%	\$1,966,718
City of Houston	9.60	12.8%	\$1,885,995
Total	74.69	100.0%	\$14,877,000

Segment 3A 54" from Interconnect 1 (Red Star) to HCFCO Channel No. B-104-05-00			
	Capacity (MGD)	Percent of Total Capacity	Pro Rata Share (\$)
City of Webster	5.83	7.93%	\$1,099,891
Gulf Coast Water Authority (GCWA)	37.50	51.0%	\$7,073,700
City of Friendswood	4.84	6.6%	\$915,420
Baybrook MUD #1	3.37	4.6%	\$638,020
HC MUD #55	3.55	4.83%	\$669,921
Clear Lake City Water Authority (CLCWA)	10.00	13.61%	\$1,887,707
City of Houston	8.40	11.43%	\$1,585,341
Total	73.49	100.0%	\$13,876,000

WBS No. S-000900-0143 (Contract A) Total Cost		
	Percent of Total Capacity	Pro Rata Share (\$)
City of Webster	7.85%	\$2,521,589
Gulf Coast Water Authority (GCWA)	50.5%	\$16,221,574
City of Friendswood	6.5%	\$2,099,369
Baybrook MUD #1	4.5%	\$1,460,305
HC MUD #55	4.8%	\$1,536,090
Clear Lake City Water Authority (CLCWA)	13.5%	\$4,329,097
City of Houston	12.2%	\$3,928,028
City of Pasadena	0.15%	\$46,748
Total	100.0%	\$32,143,000

- ⁽¹⁾ The capacity a Participant has in the Segment.
- ⁽²⁾ Percent of the total capacity each Participant has in the Segment. Total capacity for the segment is based on hydraulic modeling performed as part of the Feasibility Study Report.
- ⁽³⁾ Project costs for the Segment, includes Engineering Costs, Real Estate Costs, Construction Costs, and Contingencies, except any of such costs that are incurred exclusively for the benefit of one Party and with that Party's prior written approval.
- ⁽⁴⁾ Pro Rata Share percentages calculated as a percentage of each participant's cost of the total project cost. Pro Rata Share percentages calculated to ten decimals not shown on table.
- ⁽⁵⁾ The sum of the cost a Participant has in all the segments that constitute the respective Contract.
 [Contract A = Segments (1 + 2 + 3A)]

Exhibit B - 3
Southeast Transmission Water Line Contract Participation Table
WBS No. S-000900-0144 (CONTRACT B)

16,100 LF of 54-inch Water Line along Easements from HCFCO Channel No. B-104-05-00 to Clear Lake City Pump Station No. 3

Segment 1 1.2 miles from HCFCO Channel No. B-104-05-00 to Interconnect 2 (Clear Lake City Blvd.)			
	Capacity (MGD)	Pro-Rata Share (%)	Pro-Rata Share (\$)
City of Webster	5.83	8.0%	\$274,960
Gulf Coast Water Authority (GCWA)	37.50	51.0%	\$1,752,870
City of Friendswood	4.84	6.6%	\$226,642
Baybrook MUD #1	3.37	4.6%	\$158,102
HC MUD #55	3.55	4.8%	\$164,976
Clear Lake City Water Authority (CLCWA)	10.00	13.6%	\$467,432
City of Houston	6.4	11.4%	\$391,818
Total	79.49	100.0%	\$3,437,000

Segment 4 2.4 miles from Interconnect 2 (Clear Lake City Blvd.) to Interconnect 3 (ET Dorado Blvd.)			
	Capacity (MGD)	Pro-Rata Share (%)	Pro-Rata Share (\$)
City of Webster	5.83	8.2%	\$1,127,582
Gulf Coast Water Authority (GCWA)	37.50	52.5%	\$7,219,275
City of Friendswood	4.84	6.8%	\$935,068
Baybrook MUD #1	3.37	4.7%	\$646,297
HC MUD #55	3.55	5.0%	\$687,350
Clear Lake City Water Authority (CLCWA)	10.00	14.0%	\$1,925,140
City of Houston	6.3	8.8%	\$1,210,088
Total	71.39	100.0%	\$13,751,000

Segment 5 5.0 miles from Interconnect 3 (ET Dorado Blvd.) to Interconnect 4 (N. of Texas Ave.)			
	Capacity (MGD)	Pro-Rata Share (%)	Pro-Rata Share (\$)
City of Webster	5.83	8.2%	\$564,980
Gulf Coast Water Authority (GCWA)	37.50	52.5%	\$3,617,250
City of Friendswood	4.84	6.8%	\$468,520
Baybrook MUD #1	3.37	4.7%	\$323,830
HC MUD #55	3.55	5.0%	\$344,500
Clear Lake City Water Authority (CLCWA)	10.00	14.0%	\$964,600
City of Houston	6.3	8.8%	\$806,320
Total	71.39	100.0%	\$6,890,000

Segment 6 5.0 miles from Interconnect 4 (N. of Texas Ave.) to Clear Lake City Pump Station No. 3			
	Capacity (MGD)	Pro-Rata Share (%)	Pro-Rata Share (\$)
City of Webster	5.83	8.2%	\$580,806
Gulf Coast Water Authority (GCWA)	37.50	52.5%	\$3,718,575
City of Friendswood	4.84	6.8%	\$481,644
Baybrook MUD #1	3.37	4.7%	\$332,901
HC MUD #55	3.55	5.0%	\$354,150
Clear Lake City Water Authority (CLCWA)	10.00	14.0%	\$991,620
City of Houston	6.3	8.8%	\$623,904
Total	71.39	100.0%	\$7,083,000

1. The capacity a Participant has in the Segment.

2. Percent of the total capacity each Participant has in the Segment. Total capacity for the segment is based on hydraulic modeling performed as part of the Feasibility Study Report.

3. Project costs for the Segment, includes Engineering Costs, Real Estate Costs, Construction Costs, and Contingencies, except any of such costs that are incurred exclusively for the benefit of one Party and with that Party's prior written approval.

4. Pro-Rata Share percentages calculated as a percentage of each participant's cost of the total project cost. Pro-Rata Share percentages calculated to ten decimals not shown on table.

5. The sum of the cost a Participant has in all the segments that constitute the respective Contract.
 [Contract # = Segments (1B, 4, 5, 6) + Interconnect (1)]

Exhibit B - 3
Southeast Transmission Water Line Contract Participation Table
WBS No. S-000900-0144 (CONTRACT B)

15,100 LF of 54-Inch Water Line along Easements from HCFCO Channel No. B-104-05-00 to Clear Lake City Pump Station No. 3

Interconnect 2 - Clear Lake City Boulevard			
City of Houston	1.2	100.0%	\$210,000
Total	1.2	100.0%	\$210,000

WBS No. S-000900-0144 (Contract B) Total Cost		
City of Webster	8.1%	\$2,548,328
Gulf Coast Water Authority (GCWA)	52.0%	\$16,907,970
City of Friendwood	6.7%	\$2,112,074
Baybrook MUD #1	4.7%	\$1,461,130
HC MUD #55	4.9%	\$1,551,176
Clear Lake City Water Authority (CLCWA)	13.9%	\$4,348,792
City of Houston	9.7%	\$3,041,530
Total	100.0%	\$31,371,000

⁽¹⁾ The capacity a Participant has in the Segment.

⁽²⁾ Percent of the total capacity each Participant has in the Segment. Total capacity for the segment is based on hydraulic modeling performed as part of the Feasibility Study Report.

⁽³⁾ Project costs for the Segment, includes Engineering Costs, Real Estate Costs, Construction Costs, and Contingencies, except any of such costs that are incurred exclusively for the benefit of one Party and with that Party's prior written approval.

⁽⁴⁾ Pro Rata Share percentages calculated as a percentage of each participant's cost of the total project cost. Pro Rata Share percentages calculated to ten decimals not shown on table.

⁽⁵⁾ The sum of the cost a Participant has in all the segments that constitute the respective Contract.
 [Contract B = Segments (25, 4, 5, 6) + Interconnect (2)]

Exhibit B-4
Southeast Transmission Water Line Contract Participation Table
WBS No. S-000900-0145 (CONTRACT C)

9,600 LF of 48/42/16-Inch Water Line along Easements and Highway 3 from Clear Lake City Pump Station No. 3 to Magnolia Avenue and Abandonment of the 42-Inch Water Line along Old Galveston Road

Segment 7 [48" from Clear Lake City Point of Delivery to E. Medical Center Blvd			
	Capacity (MGD)	Pro-Rata Share (%)	Pro-Rata Share (\$)
City of Webster	2.92	4.9%	\$233,338
Gulf Coast Water Authority (GCWA)	37.50	64.1%	\$2,924,242
City of Friendswood	4.84	8.3%	\$378,646
Baybrook MUD #1	3.37	5.8%	\$264,596
HC MUD #55	3.55	6.1%	\$278,282
City of Houston	6.3	10.8%	\$492,696
Total	58.48	100.0%	\$4,562,000

Segment 8 [42" from E. Medical Center Blvd to League City (Highway 3) Point of Delivery (League City - GCWA Facility)			
	Capacity (MGD)	Pro-Rata Share (%)	Pro-Rata Share (\$)
City of Webster	2.92	7.2%	\$1,203,480
Gulf Coast Water Authority (GCWA)	37.50	92.8%	\$15,511,520
Total	40.42	100.0%	\$16,715,000

Segment 9 [16" from League City (Highway 3) Point of Delivery to Webster (Highway 3) Point of Delivery			
	Capacity (MGD)	Pro-Rata Share (%)	Pro-Rata Share (\$)
City of Webster	2.92	100.0%	\$520,000
Total	2.92	100.0%	\$520,000

Interconnect 5 - Webster (Professional Park Dr / Orchard St) - SEP			
	Capacity (MGD)	Pro-Rata Share (%)	Pro-Rata Share (\$)
City of Webster	2.92	100.0%	\$502,000
Total	2.92	100.0%	\$502,000

Abandonment of the 42-Inch Water Line Old			
	Capacity (MGD)	Pro-Rata Share (%)	Pro-Rata Share (\$)
City of Webster	3.97	9.1%	\$314,405
Gulf Coast Water Authority (GCWA)	18.17	41.7%	\$1,440,735
City of Friendswood	4.84	11.1%	\$383,505
Baybrook MUD #1	3.38	7.8%	\$269,490
HC MUD #55	2.89	6.6%	\$228,030
Clear Lake City Water Authority (CLCWA)	9.12	21.0%	\$725,550
City of Houston	1.16	2.7%	\$93,285
Total	43.53	100.0%	\$3,455,000

PRO-RATA SHARE OF TOTAL PROJECT COST		
	Pro-Rata Share (%)	Pro-Rata Share (\$)
City of Webster	10.7%	\$2,763,423
Gulf Coast Water Authority (GCWA)	77.2%	\$19,876,497
City of Friendswood	2.96%	\$762,191
Baybrook MUD #1	2.1%	\$534,086
HC MUD #55	1.96%	\$506,312
Clear Lake City Water Authority (CLCWA)	2.8%	\$725,550
City of Houston	2.28%	\$585,981
Total	100.0%	\$25,754,000

⁽¹⁾ The capacity a Participant has in the Segment.

⁽²⁾ Percent of the total capacity each Participant has in the Segment. Total capacity for the segment is based on hydraulic modeling performed as part of the Feasibility Study Report.

⁽³⁾ Project costs for the Segment, includes Engineering Costs, Real Estate Costs, Construction Costs, and Contingencies, except any of such costs that are incurred exclusively for the benefit of one Party and with that Party's prior written approval.

⁽⁴⁾ Percentages based on the existing "Amendment to Cost Sharing Agreement Southeast Water Purification Plant (Restated and Amended)" Contract.

⁽⁵⁾ Pro-Rata Share percentages calculated as a percentage of each participant's cost of the total project cost. Pro-Rata Share percentages calculated to ten decimals not shown on table.

⁽⁶⁾ The sum of the cost a Participant has in all the segments that constitute the respective Contract.
 (Contract C = Segments 7 + 8 + 9) + Interconnect (5) + Abandonment)

Exhibit B - 5
Southeast Transmission Water Line Contract Participation Table
WBS No. S-000900-0145 (CONTRACT D)

**12,800 LF of 36-inch Water Line south of Bay Area Boulevard, parallel to HCFD Easement Unit A-111-00-00
and along W. Medical Center Boulevard from Highway 3 to Beamer Road and Abandonment of
the 24-inch water line along Bay Area Boulevard**

Segment 10 - Highway 3 to City of Webster Point of Delivery			
	Capacity (MGD)	Pro-Rata Share (%)	Pro-Rata Share (\$)
City of Houston	6.30	33.1%	\$3,261,343
City of Webster	1.00	5.2%	\$512,356
Baybrook MUD #1	3.37	17.7%	\$1,743,981
HC MUD #55	3.55	18.6%	\$1,832,658
City of Friendswood	4.84	25.4%	\$2,502,662
Total	19.06	100.0%	\$9,853,000

Segment 11 - City of Webster Point of Delivery to City of Houston Point of Delivery (PRV #101)			
	Capacity (MGD)	Pro-Rata Share (%)	Pro-Rata Share (\$)
City of Houston	6.30	33.1%	\$2,951,196
City of Webster	1.00	5.2%	\$463,632
Baybrook MUD #1	3.37	17.7%	\$1,578,132
HC MUD #55	3.55	18.6%	\$1,658,376
City of Friendswood	4.84	25.4%	\$2,264,664
Total	19.06	100.0%	\$8,916,000

Segment 12 - From City of Houston Point of Delivery (PRV #101) to Baybrook MUD #1 Point of Delivery			
	Capacity (MGD)	Pro-Rata Share (%)	Pro-Rata Share (\$)
City of Houston	4.40	25.7%	\$586,474
City of Webster	1.00	5.8%	\$132,356
Baybrook MUD #1	3.37	19.6%	\$447,272
HC MUD #55	3.55	20.7%	\$472,374
City of Friendswood	4.84	28.2%	\$643,524
Total	17.16	100.0%	\$2,282,000

Segment 13 - From Baybrook MUD #1 Point of Delivery to Beamer Road			
	Capacity (MGD)	Pro-Rata Share (%)	Pro-Rata Share (\$)
City of Houston	4.40	31.9%	\$1,679,535
City of Webster	1.00	7.3%	\$384,345
HC MUD #55	3.55	25.7%	\$1,353,105
City of Friendswood	4.84	35.1%	\$1,848,015
Total	13.79	100.0%	\$5,265,000

Interconnected Water (Project 3) - Bay			
	Capacity (MGD)	Pro-Rata Share (%)	Pro-Rata Share (\$)
City of Webster	1.00	100.0%	\$185,000
Total	1.00	100.0%	\$185,000

- ¹⁰ The capacity a Participant has in the Segment.
- ¹¹ Percent of the total capacity each Participant has in the Segment. Total capacity for the segment is based on hydraulic modeling performed as part of the Feasibility Study Report.
- ¹² Project costs for the Segment, includes Engineering Costs, Real Estate Costs, Construction Costs, and Contingencies, except any of such costs that are incurred exclusively for the benefit of one Party and with that Party's prior written approval.
- ¹³ Bay Area Replacement Transmission Water Line.
- ¹⁴ Percentages based on the existing "Amendment to Cost Sharing Agreement Southeast Water Purification Plant (Repealed and Amended)" Contract.
- ¹⁵ Pro-Rata Share percentages calculated as a percentage of each participant's cost of the total project cost. Pro-Rata Share percentages calculated to ten decimals not shown on table.
- ¹⁶ The sum of the cost a Participant has in all the segments that constitute the respective Contract.
- (Contract D = Segments (10 + 11 + 12 + 13) + Interconnected (5 + 7 + 8) + Abandonment)

Exhibit B - 5
Southeast Transmission Water Line Contract Participation Table
WBS No. S-000900-0148 (CONTRACT D)

**12,800 LF of 36-inch Water Line south of Bay Area Boulevard, parallel to HCFCO Easement Unit A-111-00-00
and along W. Medical Center Boulevard from Highway 3 to Beamer Road and Abandonment of
the 24-inch water line along Bay Area Boulevard**

Interconnect 7 - City of Houston P&W #103			
	Capacity (MGD)	Pro Rata Share (%)	Pro Rata Share (\$)
City of Houston	1.90	100.0%	\$546,000
Total	1.90	100.0%	\$546,000

Interconnect 8 - Baybrook MUD #1			
	Capacity (MGD)	Pro Rata Share (%)	Pro Rata Share (\$)
Baybrook MUD #1	3.37	100.0%	\$130,000
Total	3.37	100.0%	\$130,000

Abandonment of the 24-inch water line along Bay Area Boulevard			
	Capacity (MGD)	Pro Rata Share (%)	Pro Rata Share (\$)
City of Houston	13.08	47.7%	\$652,536
City of Webster	1.86	6.8%	\$93,024
Baybrook MUD #1	3.38	12.3%	\$168,264
HC MUD #55	4.252	15.5%	\$212,040
City of Friendswood	4.84	17.7%	\$242,136
Total	27.412	100.0%	\$1,368,000

WBS No. S-000900-0148 (Contract D) Total Cost		
	Pro Rata Share (%)	Pro Rata Share (\$)
City of Houston	31.9%	\$9,677,084
City of Webster	6.2%	\$1,770,733
Baybrook MUD #1	14.2%	\$4,067,649
HC MUD #55	19.4%	\$5,528,553
City of Friendswood	26.3%	\$7,501,001
Total	100.0%	\$28,545,000

- 1) The capacity a Participant has in the Segment.
2) Percent of the total capacity each Participant has in the Segment. Total capacity for the segment is based on hydraulic modeling performed as part of the Feasibility Study Report.
3) Project costs for the Segment, includes Engineering Costs, Real Estate Costs, Construction Costs, and Contingencies, except any of such costs that are incurred exclusively for the benefit of one Party and with that Party's prior written approval.
4) Bay Area Replacement Transmission Water Line.
5) Percentages based on the existing "Amendment to Cost Sharing Agreement Southeast Water Purification Plant (Restored and Amended)" Contract.
6) Pro Rata Share percentages calculated as a percentage of each participant's cost of the total project cost. Pro Rata Share percentages calculated to ten decimals not shown on table.
7) The sum of the cost a Participant has in all the segments that constitute the respective Contract
[Contract D = Segments (10 + 11 + 12 + 13) + Interconnects (6 + 7 + 8) + Abandonment]

**EXHIBIT C
PROJECT BUDGET**

See attached.

Exhibit C - 1
Southeast Transmission Water Line Contract Amendment Project Overall Budget

Contracts WBS No. S-009800-0143 (A), -0144 (B), -0145 (C) & -0146 (D) and Technical Services (Amendment 2)							
City of Webster		\$1,672,814		\$1,926,600	\$2,095,328	\$8,899,750	\$9,604,053
Gulf Coast Water Authority (GCWA)		\$10,064,569		\$12,399,616	\$13,479,407	\$16,443,449	\$52,406,041
City of Friendswood		\$2,511,071		\$1,805,119	\$1,744,649	\$6,619,937	\$12,474,785
Brybrook MUD #1		\$1,312,726		\$1,110,419	\$1,213,449	\$9,886,376	\$7,533,170
HC MUD #55		\$1,837,969		\$1,178,852	\$1,276,421	\$4,828,898	\$6,122,132
Clear Lake City Water Authority (CLCWA)		\$1,900,771		\$3,304,964	\$3,597,147	\$600,416	\$9,401,439
City of Houston		\$8,453,180		\$2,311,481	\$3,264,016	\$8,203,946	\$17,232,623
City of Pasadena		\$7,902		\$0	\$38,845	\$0	\$46,748
TOTAL		\$23,180,991		\$28,641,112	\$26,709,426	\$44,061,492	\$117,813,022

ANNEX 1
Detailed Description of the Capital Expenditure Project Budget Assumptions

S-000000-0001 Technical Services (A)	City of Waterloo	2,875	285,743			288,618
	South Coast Water Authority (SCWA)	30,750	1,681,180			1,711,930
	City of Richmond	6,250	271,571			277,821
	Bayshore MUD 1	4,250	241,805			246,055
	MC MUD 35	4,250	242,132			246,382
	Clear Lake City Water Authority (CLOWA)	14,750	1,147,304			1,162,054
	City of Houston	12,750	1,133,367			1,146,117
	City of Pasadena	0,175	21,597			21,772
SUB-TOTAL			\$2,882,573			\$2,882,573
S-000000-0002 Technical Services (B)	City of Waterloo	5,175	248,219			253,394
	South Coast Water Authority (SCWA)	30,750	1,681,180			1,711,930
	City of Richmond	6,250	1,123,117			1,129,367
	Bayshore MUD 1	4,250	1,126,111			1,130,361
	MC MUD 35	4,250	1,126,111			1,130,361
	Clear Lake City Water Authority (CLOWA)	14,750	1,147,304			1,162,054
	City of Houston	12,750	1,133,367			1,146,117
	City of Pasadena	0,175	21,597			21,772
SUB-TOTAL			\$7,771,895			\$7,771,895
S-000000-0003 Technical Services (C)	City of Waterloo	10,750	1,178,111			1,188,861
	South Coast Water Authority (SCWA)	30,750	1,681,180			1,711,930
	City of Richmond	6,250	1,123,117			1,129,367
	Bayshore MUD 1	4,250	1,126,111			1,130,361
	MC MUD 35	4,250	1,126,111			1,130,361
	Clear Lake City Water Authority (CLOWA)	14,750	1,147,304			1,162,054
	City of Houston	12,750	1,133,367			1,146,117
	City of Pasadena	0,175	21,597			21,772
SUB-TOTAL			\$2,174,177			\$2,174,177
S-000000-0004 Technical Services (D)	City of Waterloo	4,250	1,126,111			1,130,361
	South Coast Water Authority (SCWA)	30,750	1,681,180			1,711,930
	City of Richmond	6,250	1,123,117			1,129,367
	Bayshore MUD 1	4,250	1,126,111			1,130,361
	MC MUD 35	4,250	1,126,111			1,130,361
	Clear Lake City Water Authority (CLOWA)	14,750	1,147,304			1,162,054
	City of Houston	12,750	1,133,367			1,146,117
	City of Pasadena	0,175	21,597			21,772
SUB-TOTAL			\$2,174,177			\$2,174,177
S-000000-0005 Technical Services (E)	City of Waterloo	8,125	224,834			232,959
	South Coast Water Authority (SCWA)	30,750	1,681,180			1,711,930
	City of Richmond	6,250	1,123,117			1,129,367
	Bayshore MUD 1	4,250	1,126,111			1,130,361
	MC MUD 35	4,250	1,126,111			1,130,361
	Clear Lake City Water Authority (CLOWA)	14,750	1,147,304			1,162,054
	City of Houston	12,750	1,133,367			1,146,117
	City of Pasadena	0,175	21,597			21,772
SUB-TOTAL			\$2,174,177			\$2,174,177
S-000000-0006 Technical Services (F)	City of Waterloo	8,125	224,834			232,959
	South Coast Water Authority (SCWA)	30,750	1,681,180			1,711,930
	City of Richmond	6,250	1,123,117			1,129,367
	Bayshore MUD 1	4,250	1,126,111			1,130,361
	MC MUD 35	4,250	1,126,111			1,130,361
	Clear Lake City Water Authority (CLOWA)	14,750	1,147,304			1,162,054
	City of Houston	12,750	1,133,367			1,146,117
	City of Pasadena	0,175	21,597			21,772
SUB-TOTAL			\$2,174,177			\$2,174,177
S-000000-0007 Technical Services (G)	City of Waterloo	10,750	1,178,111			1,188,861
	South Coast Water Authority (SCWA)	30,750	1,681,180			1,711,930
	City of Richmond	6,250	1,123,117			1,129,367
	Bayshore MUD 1	4,250	1,126,111			1,130,361
	MC MUD 35	4,250	1,126,111			1,130,361
	Clear Lake City Water Authority (CLOWA)	14,750	1,147,304			1,162,054
	City of Houston	12,750	1,133,367			1,146,117
	City of Pasadena	0,175	21,597			21,772
SUB-TOTAL			\$2,174,177			\$2,174,177
S-000000-0008 Technical Services (H)	City of Waterloo	10,750	1,178,111			1,188,861
	South Coast Water Authority (SCWA)	30,750	1,681,180			1,711,930
	City of Richmond	6,250	1,123,117			1,129,367
	Bayshore MUD 1	4,250	1,126,111			1,130,361
	MC MUD 35	4,250	1,126,111			1,130,361
	Clear Lake City Water Authority (CLOWA)	14,750	1,147,304			1,162,054
	City of Houston	12,750	1,133,367			1,146,117
	City of Pasadena	0,175	21,597			21,772
SUB-TOTAL			\$2,174,177			\$2,174,177
Total			\$21,184,911		\$23,441,112	\$23,441,112

Page 100 of 100. This document is a summary of the data contained in the main report. The data is presented in a summary format for ease of review. The data is not intended to be used

Sheet 2 - 1
Southwest Transportation System Data Center - San Francisco Project Budget

Project ID	Category	Activity	Unit	Quantity	Unit Cost	Total Cost	Funding Source	Notes
1-000000-01	A	Initial Review	Hour	100	\$100.00	\$10,000.00		
		Cost Recovery/Design Phase	Hour	100	\$100.00	\$10,000.00		
		Construction	Hour	100	\$100.00	\$10,000.00		
	B	Cost Recovery/Design Phase	Hour	100	\$100.00	\$10,000.00		
		Construction	Hour	100	\$100.00	\$10,000.00		
		Cost Recovery/Construction Phase	Hour	100	\$100.00	\$10,000.00		
	C	Construction	Hour	100	\$100.00	\$10,000.00		
		Cost Recovery/Construction Phase	Hour	100	\$100.00	\$10,000.00		
		Construction	Hour	100	\$100.00	\$10,000.00		
	D	Construction	Hour	100	\$100.00	\$10,000.00		
		Cost Recovery/Construction Phase	Hour	100	\$100.00	\$10,000.00		
		Construction	Hour	100	\$100.00	\$10,000.00		
1-000000-02	A	Initial Review	Hour	100	\$100.00	\$10,000.00		
		Cost Recovery/Design Phase	Hour	100	\$100.00	\$10,000.00		
		Construction	Hour	100	\$100.00	\$10,000.00		
	B	Cost Recovery/Design Phase	Hour	100	\$100.00	\$10,000.00		
		Construction	Hour	100	\$100.00	\$10,000.00		
		Cost Recovery/Construction Phase	Hour	100	\$100.00	\$10,000.00		
	C	Construction	Hour	100	\$100.00	\$10,000.00		
		Cost Recovery/Construction Phase	Hour	100	\$100.00	\$10,000.00		
		Construction	Hour	100	\$100.00	\$10,000.00		
	D	Construction	Hour	100	\$100.00	\$10,000.00		
		Cost Recovery/Construction Phase	Hour	100	\$100.00	\$10,000.00		
		Construction	Hour	100	\$100.00	\$10,000.00		
1-000000-03	A	Initial Review	Hour	100	\$100.00	\$10,000.00		
		Cost Recovery/Design Phase	Hour	100	\$100.00	\$10,000.00		
		Construction	Hour	100	\$100.00	\$10,000.00		
	B	Cost Recovery/Design Phase	Hour	100	\$100.00	\$10,000.00		
		Construction	Hour	100	\$100.00	\$10,000.00		
		Cost Recovery/Construction Phase	Hour	100	\$100.00	\$10,000.00		
	C	Construction	Hour	100	\$100.00	\$10,000.00		
		Cost Recovery/Construction Phase	Hour	100	\$100.00	\$10,000.00		
		Construction	Hour	100	\$100.00	\$10,000.00		
	D	Construction	Hour	100	\$100.00	\$10,000.00		
		Cost Recovery/Construction Phase	Hour	100	\$100.00	\$10,000.00		
		Construction	Hour	100	\$100.00	\$10,000.00		
1-000000-04	A	Initial Review	Hour	100	\$100.00	\$10,000.00		
		Cost Recovery/Design Phase	Hour	100	\$100.00	\$10,000.00		
		Construction	Hour	100	\$100.00	\$10,000.00		
	B	Cost Recovery/Design Phase	Hour	100	\$100.00	\$10,000.00		
		Construction	Hour	100	\$100.00	\$10,000.00		
		Cost Recovery/Construction Phase	Hour	100	\$100.00	\$10,000.00		
	C	Construction	Hour	100	\$100.00	\$10,000.00		
		Cost Recovery/Construction Phase	Hour	100	\$100.00	\$10,000.00		
		Construction	Hour	100	\$100.00	\$10,000.00		
	D	Construction	Hour	100	\$100.00	\$10,000.00		
		Cost Recovery/Construction Phase	Hour	100	\$100.00	\$10,000.00		
		Construction	Hour	100	\$100.00	\$10,000.00		

1-000000-01: Initial Review, Design, Construction, and Cost Recovery/Design Phase. 1-000000-02: Initial Review, Design, Construction, and Cost Recovery/Design Phase. 1-000000-03: Initial Review, Design, Construction, and Cost Recovery/Design Phase. 1-000000-04: Initial Review, Design, Construction, and Cost Recovery/Design Phase.

EXHIBIT C - 4
Phase I Participation

54" Inlet GWWP (POT) (POT) - Friendswood Tank Farm Alpha 4 (from Tank Farm 021.04)		
54" Length (L)	2,480.00	
Entity	Allocation (MGD)	Percent (%)
City of Pasadena ¹	1.00	1.25%
Webster	5.00	6.37%
GCWA	37.5	46.25%
Friendswood	4.88	5.97%
Baybrook MUD 1	1.80	2.27%
HC MUD 55	2.88	3.57%
GCWA	10.00	12.50%
City of Houston	18.00	22.31%
Total	80.00	100.00%

54" Inlet City of Pasadena's Tank Farm (POT) (POT) - M1 Alpha 4 (from Tank Farm 021.04)		
54" Length (L)	25,800.00	
Entity	Allocation (MGD)	Percent (%)
Webster	5.00	6.25%
GCWA	37.5	46.88%
Friendswood	4.88	6.05%
Baybrook MUD 1	1.80	2.25%
HC MUD 55	2.88	3.61%
GCWA	10.00	12.50%
City of Houston	18.00	22.49%
Total	80.00	100.00%

54" Inlet City of Pasadena's Tank Farm (POT) (POT) - M2 Alpha 4 (from Tank Farm 021.04)		
54" Length (L)	14,130.00	
Entity	Allocation (MGD)	Percent (%)
Webster	2.50	6.25%
GCWA	37.5	93.75%
Total	40.00	100.00%

54" Inlet City of Pasadena's Tank Farm (POT) (POT) - M3 Alpha 4 (from Tank Farm 021.04)		
54" Length (L)	10,000.00	
Entity	Allocation (MGD)	Percent (%)
Webster	5.00	4.00%
GCWA	37.50	30.45%
Friendswood	4.88	3.87%
Baybrook MUD 1	1.80	1.44%
HC MUD 55	2.89	2.32%
GCWA	10.00	7.92%
City of Houston	0.00	0.00%
Total	62.00	100.00%

54" Inlet City of Pasadena's Tank Farm (POT) (POT) - M4 Alpha 4 (from Tank Farm 021.04)		
54" Length (L)	3,500.00	
Entity	Allocation (MGD)	Percent (%)
Webster	2.50	11.15%
GCWA	4.88	21.57%
Friendswood	1.80	8.17%
Baybrook MUD 1	2.49	11.12%
HC MUD 55	10.00	45.39%
Total	22.67	100.00%

54" Inlet City of Pasadena's Tank Farm (POT) (POT) - M5 Alpha 4 (from Tank Farm 021.04)		
54" Length (L)	3,500.00	
Entity	Allocation (MGD)	Percent (%)
City of Houston	18.00	100.00%
Total	18.00	100.00%

Alpha 1		Alpha 2		Alpha 3		Alpha 4		Alpha 5		Alpha 6		Alpha 7		Alpha 8		Alpha 9		Alpha 10		Alpha 11		Alpha 12		Alpha 13		Alpha 14		Alpha 15		Alpha 16		Alpha 17		Alpha 18		Alpha 19		Alpha 20		Alpha 21		Alpha 22		Alpha 23		Alpha 24		Alpha 25		Alpha 26		Alpha 27		Alpha 28		Alpha 29		Alpha 30		Alpha 31		Alpha 32		Alpha 33		Alpha 34		Alpha 35		Alpha 36		Alpha 37		Alpha 38		Alpha 39		Alpha 40		Alpha 41		Alpha 42		Alpha 43		Alpha 44		Alpha 45		Alpha 46		Alpha 47		Alpha 48		Alpha 49		Alpha 50		Alpha 51		Alpha 52		Alpha 53		Alpha 54		Alpha 55		Alpha 56		Alpha 57		Alpha 58		Alpha 59		Alpha 60		Alpha 61		Alpha 62		Alpha 63		Alpha 64		Alpha 65		Alpha 66		Alpha 67		Alpha 68		Alpha 69		Alpha 70		Alpha 71		Alpha 72		Alpha 73		Alpha 74		Alpha 75		Alpha 76		Alpha 77		Alpha 78		Alpha 79		Alpha 80		Alpha 81		Alpha 82		Alpha 83		Alpha 84		Alpha 85		Alpha 86		Alpha 87		Alpha 88		Alpha 89		Alpha 90		Alpha 91		Alpha 92		Alpha 93		Alpha 94		Alpha 95		Alpha 96		Alpha 97		Alpha 98		Alpha 99		Alpha 100		Alpha 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920		Alpha 921		Alpha 922		Alpha 923		Alpha 924		Alpha 925		Alpha 926		Alpha 927		Alpha 928		Alpha 929		Alpha 930		Alpha 931		Alpha 932		Alpha 933		Alpha 934		Alpha 935		Alpha 936		Alpha 937		Alpha 938		Alpha 939		Alpha 940		Alpha 941		Alpha 942		Alpha 943		Alpha 944		Alpha 945		Alpha 946		Alpha 947		Alpha 948		Alpha 949		Alpha 950		Alpha 951		Alpha 952		Alpha 953		Alpha 954		Alpha 955		Alpha 956		Alpha 957		Alpha 958		Alpha 959		Alpha 960		Alpha 9	
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EXHIBIT D
PROJECT SCHEDULE

See attached.

EXHIBIT G

SOUTHEAST TRANSMISSION WATER LINE CONTRACT SCHEDULE

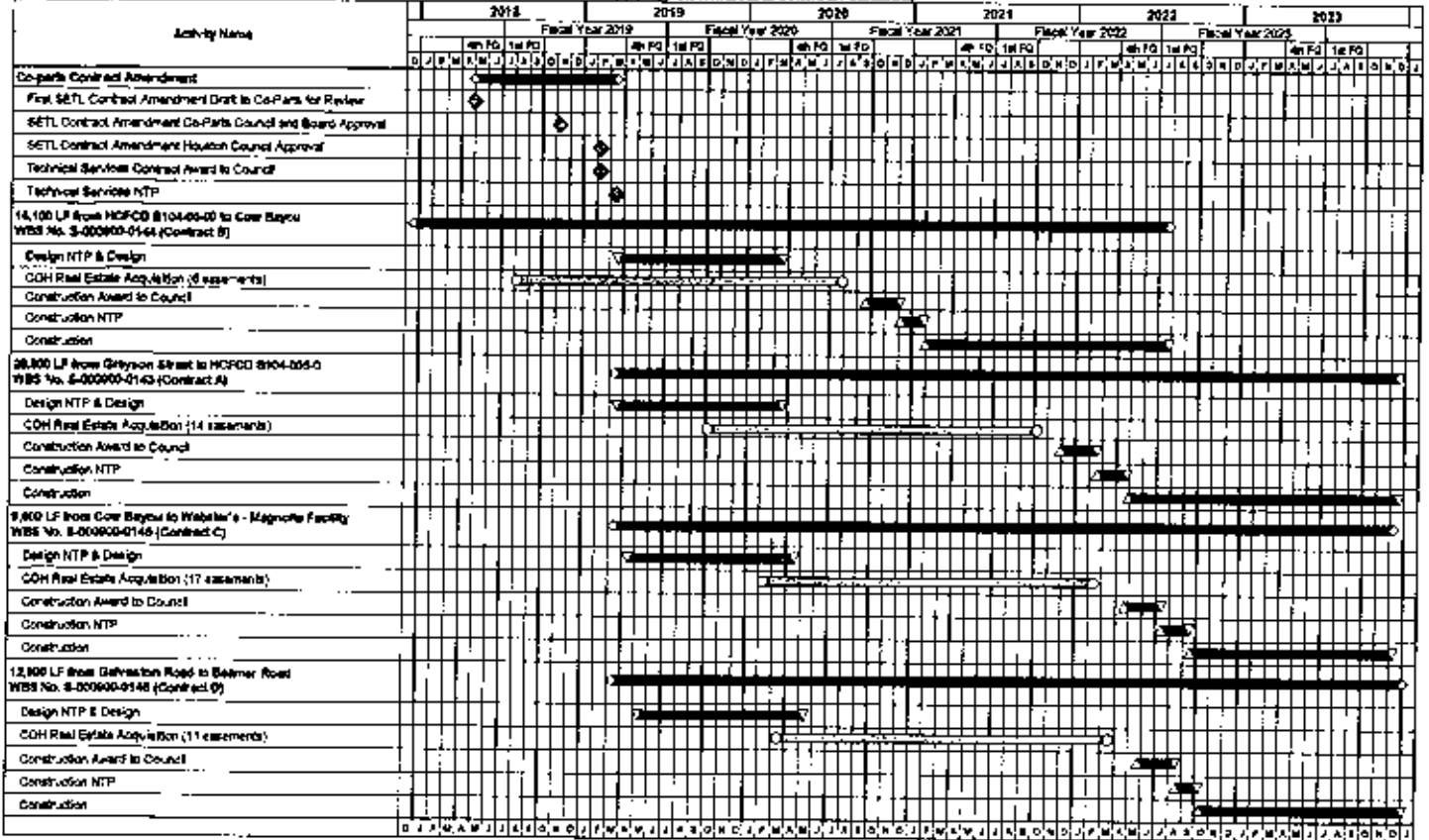


EXHIBIT E
CASH CALL SCHEDULE

See attached.

Exhibit E
Southeast Transmission Water Line Contract Amendment Project Cash Call Schedule

Co. Participants	FY19	FY20	FY21	FY22	FY23	Total
Notice of Upcoming Cash Call Date	N/A	N/A	10/20/2019	10/19/2020	10/19/2021	
Cash Call Date	7/1/2019	N/A	2/17/2020	2/16/2022	2/16/2022	
Cash Call Due Date	4/2/2019	N/A	5/17/2020	5/17/2022	5/17/2022	
Baybrook MUD 1	1,512,725.00	-	1,110,419.00	1,213,448.00	3,686,576.00	7,523,168.00
City of Friendswood	2,511,070.00	-	1,605,119.00	1,744,648.00	6,613,956.00	12,474,793.00
City of Houston	3,453,184.00	-	2,311,483.00	3,264,020.00	8,203,949.00	17,232,636.00
City of Pasadena	7,902.00	-	-	38,845.00	-	46,747.00
City of Webster	1,872,813.00	-	1,936,660.00	2,095,328.00	3,699,250.00	9,604,051.00
Clear Lake City Water Authority (CLCWA)	1,900,771.00	-	3,304,964.00	3,597,787.00	600,416.00	9,403,438.00
Gulf Coast Water Authority (GCWA)	10,084,568.00	-	12,393,616.00	13,479,407.00	16,448,448.00	52,406,039.00
HC MUD 55	1,837,958.00	-	1,178,851.00	1,276,422.00	4,828,897.00	9,122,128.00
Total	\$ 23,180,991.00	\$ -	\$ 23,841,112.00	\$ 26,709,405.00	\$ 44,081,492.00	\$ 117,813,000.00

*** The dates and amounts are merely estimates and the Project Director may update the schedule in accordance with Section 2.1

Exhibit C
Capacity Reservation Contract

[Attached]

UNTREATED WATER RESERVATION CONTRACT
BETWEEN THE CITY OF HOUSTON, TEXAS AND
GULF COAST WATER AUTHORITY

THIS UNTREATED WATER RESERVATION CONTRACT (this "Contract") is made by and between the CITY OF HOUSTON, TEXAS, a home rule municipality of the State of Texas ("Houston"), and GULF COAST WATER AUTHORITY, a conservation and reclamation district and body politic and corporate of the State of Texas (the "Authority") (each a "Party" and together, the "Parties"), effective as of the date countersigned by the Houston City Controller (the "Effective Date").

RECITALS

WHEREAS, Houston and the Authority are parties to the "Cost Sharing Agreement, Southeast Water Purification Plant (Restated and Amended)" dated June 22, 2001, approved by the Houston City Council by Ordinance No. 2001-417 and referred to as Contract No. 52797, as amended on September 27, 2007, approved by the Houston City Council by Ordinance No. 2007-927 and referred to as Contract No. 52797 (the "Cost Sharing Agreement"), for construction and operation of the Southeast Water Purification Plant (the "Plant") and delivery of raw water from Houston to the Authority; and

WHEREAS, pursuant to the Cost Sharing Agreement, Houston delivers to the Authority 31.5 million gallons per day ("MGD") of untreated surface water (the "Existing Water Commitment"); and

WHEREAS, the Authority desires to obtain an additional 20 MGD of untreated surface water from Houston for the benefit of the City of League City, Texas; and

WHEREAS, Houston and the Authority are negotiating a cost sharing agreement for the design and construction of a new water transmission line (the "Southeast Transmission Line Project") that will deliver treated water from the Plant to the Authority, among others; and

WHEREAS, WHEREAS, Houston is willing to reserve and deliver to the Authority an additional 20 MGD of untreated surface water subject to the terms and conditions set forth in this Contract.

NOW, THEREFORE, for and in consideration of the mutual promises and agreements set forth below, the Parties agree as follows:

The Parties agree that all matters set forth in the Recitals above are true and correct and are incorporated in this Contract by reference, including, without limitation, all definitions of capitalized terms used throughout this Contract.

ARTICLE I DEFINITIONS

1.01 Definitions. When used in this Contract, the following words will have the meanings set forth below:

Contract Quantity means 20 MGD of untreated water to be reserved and delivered by Houston to the Authority under the terms of this Contract.

Delivery means the provision of untreated water through the facilities and from the locations as specified in the Cost Sharing Agreement.

Director means the Director of Houston Public Works, or the Director's designated representative. The Director is the "Utility Official" sometimes referred to in the City of Houston, Texas Code of Ordinances.

Existing Water Commitment means the current provision of untreated water by Houston to the Authority as specified under the terms and conditions of the Cost Sharing Agreement. The Existing Water Commitment is 31.5 MGD.

Houston Water Management Requirements means the requirements in Article VII, Chapter 47 of the Houston Code of Ordinances, as amended, related to water conservation, drought management, plumbing code, or similar policies and any authorized and subsequent policy document issued by the Director.

Payment means those annual payments of the Reservation Fee required by Houston from the Authority for each twelve-month period, beginning 30 days after the Effective Date of this Contract to secure the reservation of untreated water under the terms of this Contract.

Plant Expansion means the future expansion of the Southeast Water Purification Plant to increase its rated production capacity by at least 20 MGD, the Contract Quantity, in accordance with the terms and conditions of the Cost Sharing Agreement.

Reservation Fee means that amount specified in this Contract that must be paid each year by the Authority to secure the benefits of reserving the Contract Quantity under this Contract.

Southeast Water Purification Plant or Plant means the Southeast Water Purification Plant managed by Houston with various co-participants, as fully described in the Cost Sharing Agreement.

Southeast Transmission Line, or Southeast Transmission Line Project means the yet to be constructed transmission main delivering treated water to the Authority from the Plant pursuant to the terms and conditions of a cost sharing agreement.

ARTICLE II WATER RESERVATION AND DELIVERY

2.01. Reservation of Contract Quantity. Subject to and conditioned upon the Authority's payment of the fees described in Sections 2.02 and 2.03 below, Houston shall reserve and deliver to the Authority the Contract Quantity, which amount shall be in addition to the Existing Water Commitment. The Authority understands and agrees that the Contract Quantity shall not be available for delivery unless and until the Plant Expansion and Southeast Transmission Line Project are both completed and operational. The Plant Expansion, if undertaken, shall be at the Authority's sole cost and expense; provided, however, that: (i) Houston may elect, at its sole cost and expense, to oversize the Plant Expansion to provide additional capacity to Houston; and (ii) each of the other parties to the Cost Sharing Agreement shall be given an opportunity to participate in the Plant Expansion in accordance with Section 3.7 of the Cost Sharing Agreement. Notwithstanding anything herein to the contrary, Houston shall be under no obligation to undertake the Plant Expansion without adequate assurance, as determined by the Director in his or her sole discretion, that the Authority has sufficient funds available to fully satisfy its share of the Plant Expansion costs.

2.02. Reservation Fee. To reserve the Contract Quantity, the Authority shall pay Houston an annual Reservation Fee calculated as follows: (i) from the Effective Date until the Southeast Transmission Line Project is completed, the Authority shall pay Houston 10% of Houston's then-applicable raw water rate multiplied by the Contract Quantity; and (ii) from thereafter until the Plant Expansion is completed and the Contract Quantity is available for delivery, the Authority shall pay Houston 25% of Houston's then-applicable raw water rate multiplied by the Contract Quantity. The Authority shall pay Houston the initial annual Reservation Fee for the current calendar year within 30 days of the Effective Date of this Contract. Thereafter, the Authority shall pay Houston the subsequent Reservation Fee on or before September 1st of each calendar year during the term of this Contract until completion of the Southeast Transmission Line and the Plant Expansion. Once paid, the Reservation Fee is nonrefundable.

2.03. Delivery and Payment. After both the Southeast Transmission Line Project and the Plant Expansion are both complete and operational, Houston shall deliver to the Authority the Contract Quantity under the terms and conditions set forth in the Cost Sharing Agreement. The Authority shall pay Houston for the Contract Quantity as part of the Authority's yearly O&M Expense in accordance with the formula set forth in Section 4.3 of the Cost Sharing Agreement.

2.04. Water Conservation Plan. The Authority affirms that it has adopted and will maintain water conservation and drought contingency plans that meet the requirements of any state agency with jurisdiction to review such plans, including but not limited to the Texas Commission on Environmental Quality, and the City of Houston Water Management Requirements.

ARTICLE III TERM AND TERMINATION

3.01. Term. This Contract shall be effective on the Effective Date and shall remain in effect until the earlier of the date on which Houston first delivers to the Authority the Contract Quantity under the terms and conditions set forth in the Cost Sharing Agreement, or 40 years after the Effective Date.

3.02. Termination. This Contract may be terminated without cause and at any time by written agreement of the Parties. Additionally, this Contract may be terminated by either Party for cause in accordance with Section 6.01 of this Contract.

ARTICLE IV RELEASE AND INDEMNIFICATION

4.01. RELEASE AND INDEMNIFICATION. THE AUTHORITY HEREBY RELEASES, DISCHARGES, AND, TO THE MAXIMUM EXTENT PERMITTED BY LAW, INDEMNIFIES HOUSTON FROM AND AGAINST ANY AND ALL FINES, DEMANDS, JUDGEMENTS, LIABILITIES, OR CLAIMS RELATING TO DELIVERY OF WATER THAT MEETS THE REGULATORY STANDARDS AT THE DELIVERY POINT.

ARTICLE V FORCE MAJEURE

5.01 Force Majeure. Either Party may claim Force Majeure upon giving notice and full details of such Force Majeure in writing to the other Party as soon as possible after the occurrence of the Force Majeure. Performance by the Party giving such notice, to the extent it is affected by Force Majeure and to the extent that due diligence is being used to resume performance, shall be suspended for the duration of the Force Majeure. The Party claiming Force Majeure shall work with reasonable diligence to resume performance. The Director will review claims that a Force Majeure that directly impacts the City has occurred and render a written decision within 14 days. Force Majeure includes but is not limited to the following events: 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, water shortages (including droughts), tornadoes, hurricanes, arrests and restraints of government and people, explosions, breakage or damage to machinery, pipelines or canals, all lawfully adopted and/or issued orders, ordinances, statutes, laws and/or regulations of any court or governmental entity with jurisdiction over the subject matter of this Contract, and any other inability of either Party, 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. Force Majeure excludes inability to pay, insolvency, bankruptcy, and other financial limitations.

ARTICLE VI DEFAULT

6.01. Default. Default occurs if a Party fails to perform one or more of its material duties under this Contract, including, without limitation, the Authority's failure to timely pay Houston the Reservation Fee described in Section 2.02 above. If a default occurs, the injured Party shall deliver a written notice to the defaulting Party describing the default. If the defaulting Party cures the default within 60 days of receiving the notice, then this Contract shall continue. If the defaulting Party fails to cure the default within 60 days of receiving the notice, the injured Party may terminate this Contract. At the sole discretion of and by written notice to the defaulting Party from the injured Party, the time period may be extended for the defaulting Party to cure the default. The Director is authorized to act on behalf of Houston to terminate this Contract as provided in this section.

6.02 Remedy for Default. Either Party may terminate its performance under this Contract if the other Party defaults and fails to cure the default after receiving notice of it, in accordance with Section 6.01 of this Contract.

6.03. Remedies Not Exclusive. This Article does not specify the exclusive remedy for any default, and any party may pursue all remedies available at law or in equity to secure redress for any default under this Contract.

ARTICLE VII MISCELLANEOUS

7.01 Notices. All notices to either Party to the Contract must be in writing and must be delivered by hand, facsimile, United States registered or certified mail, return receipt requested, United States Express Mail, Federal Express, UPS, or any other national overnight express delivery service. The notice must be addressed to the Party to whom the notice is given at its address set out below or other address the receiving Party has designated previously by proper notice to the sending Party.

If to Houston:
City of Houston
Houston Public Works
Attn: Director
611 Walker Street
Houston, TX 77002
Fax: (832) 395-2480

If to the Authority:
Gulf Coast Water Authority
Attn: General Manager
3630 FM 1765
Texas City, TX 77591
Fax: (409) 935-4156

7.02 Severability. If any part of this Contract is for any reason found to be unenforceable, all other parts remain enforceable unless the result materially prejudices either Party.

7.03 Entire Contract. This Contract, together with all exhibits and other documents and materials referenced herein, constitutes the entire agreement of the Parties with respect to Houston's reservation of the Contract Quantity for the Authority. No other agreements, assurances, conditions, covenants (express or implied), or other terms of any kind, exist between the Parties regarding this Contract.

7.04 Written Amendment. Unless otherwise specified elsewhere in this Contract, this Contract may be amended only by written instrument executed on behalf of Houston (by authority of an ordinance adopted by the Houston City Council) and the Authority. The Director is only authorized to perform the functions specifically delegated to him or her in this Contract.

7.05 Applicable Laws. This Contract is subject to the Houston City Charter and Code of Ordinances, the laws of the State of Texas, the laws of the federal government of the United States, and all rules and regulations of any regulatory body or officer having jurisdiction. Venue for any litigation relating to this Contract is Harris County, Texas.

7.06 Captions. Captions contained in this Contract are for reference only and have no effect in construing this Contract. The captions are not restrictive of the subject matter of any section in this Contract.

7.07 Non-Waiver. If either Party fails to require the other to perform a term of this Contract, that failure does not prevent the Party from later enforcing that term and all other terms. If either Party waives the other's breach of a term, that waiver does not waive a later breach of this Contract. An approval by the Director, or by any other employee or agent of Houston, of any part of the Authority's performance does not waive compliance with this Contract or establish a standard of performance other than that required by this Contract and by law. The Director is not authorized to vary the terms of this Contract.

7.08 Enforcement. The Houston City Attorney or his or her designee may enforce all legal rights and obligations under this Contract without further authorization. The Authority shall provide to the Houston City Attorney all documents and records that the Houston City Attorney requests to assist in determining the Authority's compliance with this Contract, with the exception of those documents made confidential by federal or state law or regulation.

7.09 Ambiguities. If any term of this Contract is ambiguous, it shall not be construed for or against any Party on the basis that the Party did or did not write it.

7.10 Survival. The Parties shall remain obligated to each other under all clauses of this Contract that expressly or by their nature extend beyond the expiration or termination of this Contract.

7.11 Parties in Interest. This Contract is for the sole and exclusive benefit of the Parties and shall not be construed to confer any rights upon any third Party. Customer shall remain liable for all payments and obligations due to Houston under this Contract regardless of Customer's obligations and rights under any separate agreement. **HOUSTON SHALL NEVER BE LIABLE FOR DAMAGES TO ANY CUSTOMER OF CUSTOMER FOR ANY FAILURE TO PERFORM UNDER THIS CONTRACT.**

7.12 Successors and Assigns. This Contract binds and benefits the Parties and their legal successors and permitted assigns. This Contract does not create any personal liability on the part of any officer or agent of Houston or the Authority.

7.13 Remedies Cumulative. The rights and remedies contained in this Contract are not exclusive but are cumulative of all rights and remedies which exist now or in the future. Neither Party may terminate its duties under this Contract except in accordance with its provisions.

7.14 Approvals. Except as otherwise provided herein, any consent or approval of the Parties shall be made by their respective governing bodies.

IN WITNESS WHEREOF, the Parties have executed this Contract in multiple counterparts, each of which is an original, and all of which shall constitute one and the same instrument.

(Signatures appear on the following pages.)

"Authority"

ATTEST/SEAL:

GULF COAST WATER AUTHORITY

By: _____
Name:
Title:

By: _____
Name:
Title:

(Remaining signatures appear on the following page.)

"Houston"

ATTEST/SEAL:

CITY OF HOUSTON, TEXAS

Signed by:

City Secretary

Mayor

APPROVED:

COUNTERSIGNED BY:

Director, Houston Public Works

City Controller

APPROVED AS TO FORM:

DATE COUNTERSIGNED:

Assistant City Attorney
L.D. File No. _____

Exhibit D
Special Warranty Deed

[Attached]

SPECIAL WARRANTY DEED AND BILL OF SALE

STATE OF TEXAS §
 § KNOW ALL MEN BY THESE PRESENTS:
 COUNTY OF HARRIS §

THAT GULF COAST WATER AUTHORITY, a conservation and reclamation district and a political subdivision of the State of Texas ("Grantor"), for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and deeming such sale to be advantageous to Grantor, has GRANTED, BARGAINED, SOLD, TRANSFERRED, DELIVERED and CONVEYED and by these presents does GRANT, BARGAIN, SELL, TRANSFER, DELIVER and CONVEY unto the CITY OF LEAGUE CITY, TEXAS, a municipal corporation and a home-rule city situated in Galveston County and Harris County, Texas ("Grantee"), all of Grantor's right, title and interest in and to (i) the tract of land described on Exhibit A attached hereto and incorporated herein by this reference, together with the rights, titles and interests appurtenant thereto (the "Land") and all improvements located thereon, including, without limitation, a pump station building and storage tank (the "Improvements"), and (ii) all of the following described personal property located at or used in connection with the ownership, maintenance, or operation of the Land or the Improvements:

all tangible personal property and fixtures of any kind attached to or used in connection with the ownership, maintenance, or operation of the Land or Improvements, including, without limitation, those items described in Exhibit B hereto attached hereto and incorporated herein by this reference (the "Personalty");

SAVE, LESS AND EXCEPT that Grantor is not conveying hereby, but rather Grantor hereby reserves unto itself and its successors and assigns, the improvements, personal property and easement described in paragraphs (i), (ii) and (iii) below which are situated on and under the Land:

(i) the concrete meter vault, four (4) ten-inch (10") Rockwell meters with high-speed pickup registers and associated instrumentation, ten-inch (10") cement-lined steel piping, valves and pipe bender associated with the meter vault, forty-two-inch (42") Clifford Hill main line bypass around the pump station, and forty-two-inch (42") air-actuated valve, together with all replacements thereof and additions thereto (collectively, the "Authority Property");

(ii) a perpetual, non-exclusive easement and right-of-way across the Land, the centerline of which shall be the forty-two inch (42") pipeline presently located on the Land and which shall extend twenty-five feet (25') on either side thereof, and Grantor, its contractors, employees and agents, shall have the right at any time and from time to time to enter on such easement (including access across other portions of the Land) for the purpose of inspecting, removing, repairing, adding to, operating

or replacing the Authority Property; provided, however, that Grantee shall be solely responsible for the routine operation and maintenance of the Authority Property; and

(iii) the forty-two-inch (42") main line, valves, clay valves, piping, and pipe header belonging to the City of Houston, Texas, together with all replacements thereof and additions thereto.

The Land, Improvements and Personality, less said reserved and excepted matters, are collectively referred to herein as the "Property".

The Improvements and Personality are in a used condition, and Grantor is neither a manufacturer nor distributor thereof, nor a dealer nor merchant therein.

GRANTOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR PURPOSE IN RESPECT OF THE IMPROVEMENTS OR THE PERSONALTY, AND THE SAME IS SOLD IN AN "AS IS, WHERE IS" CONDITION, WITH ALL FAULTS. BY ACCEPTANCE OF THIS DEED GRANTEE AFFIRMS THAT IT HAS NOT RELIED ON GRANTOR'S SKILL OR JUDGMENT TO SELECT OR FURNISH THE IMPROVEMENTS OR PERSONALTY FOR ANY PARTICULAR PURPOSE, AND THAT GRANTOR MAKES NO WARRANTY THAT THE IMPROVEMENTS OR PERSONALTY IS FIT FOR ANY PARTICULAR PURPOSE AND THAT THERE ARE NO REPRESENTATIONS OR WARRANTIES, EXPRESSED, IMPLIED, OR STATUTORY, EXCEPT THAT GRANTOR REPRESENTS AND WARRANTS THAT GRANTOR OWNS THE IMPROVEMENTS AND PERSONALTY AND HAS FULL POWER, RIGHT, AND AUTHORITY TO CONVEY TITLE THERETO.

This conveyance is executed by Grantor and accepted by Grantee subject to all valid and subsisting encumbrances, conditions, covenants, restrictions, reservations, exceptions, rights, rights of way, and easements of record on the date hereof, including the building and zoning ordinances, regulations and restrictions by municipal or other governmental authorities applicable to and enforceable against the Property (the "Permitted Encumbrances").

TO HAVE AND TO HOLD the Property, together with all and singular the rights and appurtenances thereunto in anywise belonging, unto Grantee, its successors and assigns forever, and Grantor does hereby bind itself, its successors and assigns, to WARRANT AND FOREVER DEFEND all and singular the title to the Property unto the said Grantee, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof, by, through or under Grantor, but not otherwise, subject only to the Permitted Encumbrances.

Grantee's address is: 200 West Walker, League City, Texas 77573. Attn: Mayor

EXECUTED this the 14th day of April, 2000

GULF COAST WATER AUTHORITY

By: Gordon L. Myers
Gordon L. Myers, General Manager

"GRANTOR"

STATE OF TEXAS §
 §
COUNTY OF GALVESTON §

This instrument was acknowledged before me this April 14, 2000 by Gordon L. Myers, General Manager of Gulf Coast Water Authority, a conservation and reclamation district and a political subdivision of the State of Texas, on behalf of such district and political subdivision.



Sandra Perkins
Notary Public in and for the
State of Texas

ACCEPTED AND AGREED:

CITY OF LEAGUE CITY, TEXAS

By: A. T. Frankovich
A. T. Frankovich, Mayor

"GRANTEE"

STATE OF TEXAS §
COUNTY OF HARRIS §

This instrument was acknowledged before me this April 25, 2002 by A. T. Frankovich, Mayor of the City of League City, Texas, a municipal corporation and a home-rule city situated in Galveston County and Harris County, Texas, on behalf of such municipal corporation and city.



Dawn Kilgore
Notary Public in and for the
State of Texas

THE LAND

SAVE AND EXCEPT the northeasterly forty-five (45) feet thereof conveyed to Harris County by deed dated August 7, 1968, and recorded in Volume 7667, Page 289, Harris County Deed Records.

EXHIBIT "B"

Gulf Coast Water Authority
Webster Pump Station Inventory

Inventory Item No.	Description	Model No.	Serial No.
EE050001	Desk, Metal		
EE050002	Air Conditioner, White Westinghouse	AS189J2K1	AHL476474
EE050006	Motor, Fairbanks Morse, #1		503504R2
EE050007	Motor, Fairbanks Morse, #2		503504R1
EE050008	Motor, Fairbanks Morse, #3		503504RS
EE050012	Stand, Digital Water Monitor, Metal		
EE050025	Ampguard Medium Voltage, Westinghouse, Pmp #3		
EE050026	Ampguard Medium Voltage, Westinghouse, Pmp #2		
EE050027	Ampguard Medium Voltage, Westinghouse, Pmp #1		

Exhibit E
League City Line

[Attached]

