

APPLICATION FOR FINANCIAL ASSISTANCE FOR WATER AND WASTEWATER INFRASTRUCTURE PROJECTS

This application is comprehensive, covering all loan and grant assistance applications for water and wastewater infrastructure financing through the various Texas Water Development Board (TWDB) programs. The format of the application is intended to expedite the review process for both the applicant and TWDB staff. This application can be used by political subdivisions, including water supply corporations.

Please submit one double-sided original and one indexed, electronic copy, via electronic storage media such as CD or flash drive using MS Word, Excel and/or Adobe Acrobat.

Please submit your application to:

Texas Water Development Board
Water Supply and Infrastructure-Regional Water Planning and Development
P O Box 13231
1700 N. Congress Avenue, 5th Floor
Austin, Texas 78711-3231
(78701 for courier deliveries)

A complete application consists of all of the applicable information and forms requested in this document. When preparing this application please review the Application and all Guidance and Forms, listed at the end.

For more information, please contact your Regional Project Implementation Team at:

http://www.twdb.texas.gov/financial/programs/swift/regional_project_teams.asp

Thank you.

TWDB Use Only

Name of Applicant: _____

Date application received: _____

Date administratively complete: _____

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

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Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

Part A: General Information

1. The legal authority under which the applicant was created and operates.
 - a) TYPE A GENERAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.001)
 - b) TYPE B GENERAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.002)
 - c) TYPE C GENERAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.003)
 - d) HOME-RULE MUNICIPALITY (Texas Local Gov't Code Sec. 5.004)
 - e) SPECIAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.005)
 - f) NONPROFIT ORGANIZATION (Business Organization Code Chapter 22)
 - g) NONPROFIT WATER SUPPLY OR SEWER SERVICE CORP. (Texas Water Code Chapter 67)
 - h) ALL DISTRICTS (Texas Water Code Chapter 49)
 - i) OTHER (attach)

2. Applicant Name and Contact Information:

Name:	North Fort Bend Water Authority
County:	Fort Bend
Physical Address:	N/A
Mailing Address:	c/o ABHR LLP, 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027
Phone:	713-860-6465
Fax:	713-860-6665
Website:	www.nfbwa.com

3. Brief description of the project.

The Surface Water Supply Project (SWSP) (formerly the Second Source Transmission Line) is a large 96-inch transmission system waterline that will bring treated surface water approximately 40 miles from the expanded Northeast Water Purification Plant (NEWPP) on the east side of Houston at Lake Houston to the West Harris County Regional Water Authority (WHCRWA) and the North Fort Bend Water Authority (NFBWA) on the west side of Houston. The project also includes two large booster pump stations that will push the water along the route. Several large meter stations will be required as well. This project is directly sponsored by the WHCRWA although the general cost share is approximately 55% WHCRWA and 45% NFBWA. Joint Facilities Waterline Projects (Segments 3, 5-13) associated with the SWSP and various other smaller waterline projects that will be shared by the NFBWA and the WHCRWA that are needed to transfer the treated water to various areas. These projects are sponsored by the WHCRWA but some percentage is paid by the NFBWA, the percentage amount varying by project. This project is needed to convert from groundwater to surface water to comply with the Fort Bend Subsidence District Regulatory Plan.

4. Applicant's Officers and Members:

Name	Office Held
David H. Spell	Assistant Secretary
Robert Darden	Assistant Vice President
Bruce Fay	Assistant Secretary
Melony Gay	Secretary
Robert Patton	Vice President
Peter Houghton	President
Pat Hebert	Assistant Secretary

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

5. Applicant's **primary contact person** for day-to-day project implementation.

Name:	Lindsay Kovar
Title:	Authority Engineer
Address:	10777 Westheimer Road, Suite 400 Houston, Texas 77042
Phone:	281-558-8700
Fax:	713-488-8250
Email:	LKovar@bgeinc.com

6. Applicant's Consultants (Attach copies of all draft and/or executed contracts for consultant services to be used by the Applicant in applying for financial assistance or constructing the proposed project.):

a) Applicant Engineer N/A

Firm Name:	BGE, Inc.
Contact:	Lindsay Kovar
Address:	10777 Westheimer Road, Suite 400 Houston, Texas 77042
Phone:	281-558-8700
Fax:	713-488-8250
Email:	LKovar@bgeinc.com

b) Bond Counsel N/A

Firm Name:	Allen Boone Humphries Robinson LLP
Contact:	David Oliver
Address:	3200 Southwest Freeway, Suite 2600 Houston, Texas 77027
Phone:	713-860-6465
Fax:	713-860-6665
Email:	doliver@abhr.com

c) Financial Advisor N/A

Firm Name:	Post Oak Municipal Advisors
Contact:	Terrell Palmer
Address:	2000 West Loop South, Suite 1800
Phone:	713-328-0990
Fax:	N/A
Email:	tpalmer@postoakma.com

d) Certified Public Accountant (or other appropriate rep) N/A

Firm Name:	Avanta Services
Contact:	Pam E. Lightbody
Address:	5635 Northwest Central Drive, No. 104E Houston, Texas 77092
Phone:	713-934-9110
Fax:	713-934-9443
Email:	pelightbody@avantaserv.com

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

e) Legal Counsel (if other than Bond Counsel) N/A

Firm Name:	
Contact:	
Address:	
Phone:	
Fax:	
Email:	

f) Any other consultant representing the Applicant before the Board N/A

Firm Name:	
Contact:	
Address:	
Phone:	
Fax:	
Email:	

7. List the counties within the Applicant's service area. Fort Bend

8. Identify the Applicant's total service area population: 238,600

9. Applicant is requesting funding from which programs? Check all that apply.

	PROGRAM	AMOUNT REQUESTED
a) <input type="checkbox"/>	Drinking Water State Revolving Fund (DWSRF)	\$ _____
b) <input type="checkbox"/>	Clean Water State Revolving Fund (CWSRF)	\$ _____
c) <input type="checkbox"/>	Texas Water Development Fund (DFund)	\$ _____
d) <input type="checkbox"/>	State Participation	\$ _____
e) <input type="checkbox"/>	Rural Water Assistance Fund (RWAFF)	\$ _____
f) <input checked="" type="checkbox"/>	State Water Implementation Fund for Texas (SWIFT)	\$ <u>154,535,000</u>
g) <input type="checkbox"/>	Economically Distressed Areas Program (EDAP)	\$ _____
h) <input type="checkbox"/>	If other please explain: _____	\$ _____

10. Other Funding Sources: Provide a list of any other funding source(s) being utilized to complete the project, including Applicant's local contribution, if any, or commitments applied for and/or received from any other funding agency for this project or any aspect of this project. **Provide commitment letters if available. Additional funding sources must be included within the Project Budget (TWDB-1201).**

Funding Source	Type of Funds (Loan/Grant)	Amount (\$)	Date Applied for Funding	Anticipated or Funding Secured Date
SWIFT	Loan	\$220,770,000	2015	2018-2022
Total Funding from All Sources		\$220,770,000		

Comments: _____

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

11. Applicant is requesting funding for which phase(s)? Check all that apply.

- Planning
- Acquisition
- Design
- Construction

12. Is Applicant requesting funding to refinance existing debt?

- Yes If yes, attach a copy of the document securing the debt to be refinanced.
 Attached document
- No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

Part B: Legal Information

13. Cite the legal authority under which the Applicant can issue the proposed debt including the authority to make a proposed pledge of revenues. Pursuant to Subchapter D, Section 8813.151 of the Texas Special District Local Laws Code, the NFBWA is authorized and has the power to issue, sell, and deliver the revenue (including junior lien revenue) bonds for the purpose, among others, of financing construction and acquisition of water treatment and conveyance facilities.
14. What type of pledge will be used to repay the proposed debt?
- Systems Revenue
 - Taxes
 - Combination of systems revenues and taxes
 - Other (Contract Revenue, etc.)
15. Provide the full legal name of the security for the proposed debt issue(s). Anticipated name of security for the proposed debt: "North Fort Bend Water Authority Water System Junior Lien Revenue Bonds, Series _____"
16. Describe the pledge being offered and any existing rate covenants. The proposed debt issue (the "Bonds") is being issued pursuant to an Indenture of Trust, dated as of June 1, 2009, and a proposed Supplemental Indenture of Trust (collectively with all other supplemental indentures, the "Indenture"), both between the NFBWA and Regions Bank, as trustee (the "Trustee"). The bonds are being issued as "Junior Lien Bonds" under the Indenture. Under the Indenture, Parity Bonds, Parity Notes and Parity Obligations are secured by a lien on Pledged Revenues that is senior and superior to the lien on Pledged Revenues securing the Junior Lien Bonds, Junior Lien Notes and Junior Lien Obligations. The Bonds (together with the outstanding bonds and any future Parity Bonds, Parity Notes and Parity Obligations or future Junior Lien Bonds, Junior Lien Notes and Junior Lien Obligations) are limited obligations of the NFBWA payable solely from and to the extent of its Pledged Revenues and Pledged Funds pledged for that purpose under the Indenture. Pledged Revenues consist of Net Revenues (hereinafter described) and amounts transferred from the NFBWA's Coverage Fund to its Revenue Fund. Net Revenues consist primarily of collections of groundwater pumpage fees/user fees imposed by the NFBWA and water sale revenues remaining after payment of the NFBWA's maintenance and operating expenses. The Bonds are obligations solely of the NFBWA and are not obligations of the State of Texas, the City of Houston, Harris County, Fort Bend County, any of the Retail Utilities, Contract Retail Utilities, Private Well Owners, or any entity other than the NFBWA. The Bonds do not constitute a general obligation of the NFBWA and are not payable from funds raised or to be raised by ad valorem or other property taxes. The NFBWA has no property taxing power.
17. Attach the resolution from the governing body requesting financial assistance.
TWDB-0201A (<http://www.twdb.texas.gov/financial/instructions/>)
 Attached Resolution
18. Attach the Application Affidavit
TWDB-0201 (<http://www.twdb.texas.gov/financial/instructions/>)
 Attached Applicant Affidavit
19. Attach the Certificate of Secretary
TWDB-201B (<http://www.twdb.texas.gov/financial/instructions/>)
 Attached Certificate of Secretary

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20. Is the applicant a Water Supply Corporation (WSC)?
 Yes If yes, attach each of the following:
 Articles of Incorporation
 Certificate of Incorporation from the Texas Secretary of State evidencing that the current Articles of Incorporation are on file with the Secretary
 By-laws and any amendments
 Certificate of Status from the Texas Secretary of State (i.e. Certificate of Existence)
 Certificate of Account Status from the Texas Comptroller of Public Accounts (certifies that the WSC is exempt from the franchise tax and that the WSC is in good standing).
 No
21. Is the applicant proposing to issue revenue bonds?
 Yes If yes, attach copies of the most recent resolution/ordinance(s) authorizing any outstanding parity debt. This is essential to insure outstanding bond covenants are consistent with covenants that might be required for TWDB financing.
 Attached resolution/ordinance(s) – in lieu of resolution the draft Eighth Supplemental Indenture is attached in Attachment E71a.
 No
22. Does the applicant possess a Certificate of Convenience and Necessity (CCN)?
 Yes If yes, attach a copy of the CCN and service area map showing the areas the applicant is allowed to provide water or wastewater services.
 Attached CCN and service area map
 No If no, indicate the status of the CCN. _____
 N/A
23. Has the applicant been the subject of any enforcement action by the Texas Commission on Environmental Quality (TCEQ), the Environmental Protection Agency (EPA), or any other entity within the past three years?
 Yes If yes, attach a brief description of every enforcement action within the past three years and action(s) to address requirements.
 Attached
 No
24. Are any facilities to be constructed or the area to be served within the service area of a municipality or other public utility?
 Yes If yes, has the applicant obtained an affidavit stating that the utility does not object to the construction and operation of the services and facilities in its service area?
 If yes, attach a copy of the affidavit.
 Attached affidavit
 If no, provide an explanation as to why not.
See generally, Section 8813.101 of the Texas Special District Local Laws Code relating to the powers and duties of the NFBWA. The NFBWA has the right to coordinate water services provided inside, outside, or into the

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NFBWA, as well as provide wholesale and retail water services to any users or customers within the NFBWA's boundaries without being required to execute contracts with those users or customers. As such, the NFBWA is not obligated to obtain an affidavit indicating that the individual users (including but not limited to municipal utility districts within its boundaries) do not object to the provision by the NFBWA of those services.

No

25. If the assistance requested is more than \$500,000 a Water Conservation Plan (WCP) is required. The WCP cannot be more than **FIVE** years old and must have been adopted by the applicant. Has the applicant adopted a Board-approved WCP? (Check one and attach requested information, if any.)

Yes Enter date of Applicant's WCP adoption: 2014, see attached Water Conservation Plan and Utility Profile

No If no, attach a copy of a draft Water Conservation Plan and Drought Contingency Plan prepared in accordance with the TWDB WCP Checklist (<http://www.twdb.state.tx.us/financial/instructions/doc/TWDB-1968.pdf>)

Attached Draft WCP and Drought Contingency Plan

Attached Utility Profile TWDB-1965

<http://www.twdb.state.tx.us/financial/instructions/doc/TWDB-1965.pdf>

N/A (Request is \$500,000 or less per Water Code §§ 15.106(c), 17.125(c), 17.277(c), and 17.857(c))

Note: If the applicant will utilize the project financed by the TWDB to furnish services to another entity that in turn will furnish services to the ultimate consumer, the requirements for the WCP may be met through contractual agreements between the applicant and the other entity providing for establishment of a water conservation plan. The provision requiring a WCP shall be included in the contract at the earliest of: the original execution, renewal or substantial amendment of that contract, or by other appropriate measures.

26. Does the applicant provide retail water services?

Yes If yes, has the applicant already submitted to the TWDB the annual water use survey of groundwater and surface water for the last **THREE** years?

Yes

No If no, please download survey forms and attach a copy of the completed water use surveys to the application.

<http://www.twdb.texas.gov/waterplanning/waterusesurvey/index.asp>

Attached Water Use Survey

No

27. Is the applicant a retail public utility that provides potable water?

Yes If yes, has the applicant already submitted the most recently required water loss audit to the TWDB?

Yes

No If no, and if applying for a water supply project, please complete the online TWDB Water Audit worksheet found at <http://www.twdb.texas.gov/conservation/resources/waterloss-resources.asp> and attach a copy to the application.

Attached TWDB Water Audit worksheet

No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

28. Does the Applicant provide wastewater services?

- Yes
- No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

Part C: Financial Information

Regional or wholesale providers, complete questions 29-31.

Retail providers, complete questions 32-34.

29. List top **TEN** customers of the system by annual usage in gallons and percentage of total usage, including whether any are in bankruptcy.

Customer Name	Annual Usage (gal)	Percent of Usage	Bankruptcy (Y/N)
Cinco MUD 1	1,940,830,000	15.28%	N
Cinco Southwest MUD 1	1,039,510,000	8.19%	N
Fort Bend MUD 34	628,526,000	4.95%	N
Grand Mission MUD 1	603,227,000	4.75%	N
City of Fulshear	555,641,000	4.38%	N
Fort Bend MUD 134	539,078,500	4.25%	N
Grand Lakes MUD 4	534,452,000	4.21%	N
Fort Bend MUD 151	486,141,500	3.83%	N
Fort Bend MUD 58	486,018,000	3.83%	N
Fort Bend MUD 57	429,502,000	3.37%	N

Comments: _____

30. List the top TEN customers of the system by gross revenues and percent of total revenues, including whether any are in bankruptcy

Customer Name	Annual Revenue(\$)	Percent of Revenue	Bankruptcy (Y/N)
Cinco MUD 1	\$5,919,532	14.47%	N
Cinco Southwest MUD 1	\$3,450,658	8.43%	N
Fort Bend MUD 34	\$2,059,205	5.03%	N
Grand Mission MUD 1	\$2,025,261	4.95%	N
Fort Bend MUD 134	\$1,783,999	4.36%	N
Grand Lakes MUD 4	\$1,773,294	4.33%	N
City of Fulshear	\$1,694,705	4.14%	N
Fort Bend MUD 58	\$1,638,996	4.01%	N
Fort Bend MUD 151	\$1,482,732	3.62%	N
Fort Bend MUD 30	\$1,441,497	3.52%	N

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

31. Provide a summary of the wholesale contracts with customers

Contract Type	Minimum annual amount	Usage fee per 1,000 gallons	Annual Operations and Maintenance	Annual Capital Costs	Annual Debt Service	Other
Water Supply Contract with Grand Mission MUD 1	900,000 GPD	The NFBWA Surface Water Fee	N/A	N/A	N/A	
Water Supply Contract with Fort Bend MUD 58	955,000 GPD	The NFBWA Surface Water Fee	N/A	N/A	N/A	
Water Supply Contract with Fort Bend MUD 142	600,000 GPD	The NFBWA Surface Water Fee	N/A	N/A	N/A	
Water Supply Contract with Fort Bend MUD 134A	466,667 GPD	The NFBWA Surface Water Fee	N/A	N/A	N/A	
Water Supply Contract with Fort Bend ID 24	200,000 GPD	The NFBWA Surface Water Fee	N/A	N/A	N/A	
Water Supply Contract with Fort Bend MUD 133	165,000 GPD	The NFBWA Surface Water Fee	N/A	N/A	N/A	
Water Supply Contract with Fort Bend MUD 30	800,000 GPD	The NFBWA Surface Water Fee	N/A	N/A	N/A	
Water Supply Contract with Fort Bend MUD 146	960,000 GPD	The NFBWA Surface Water Fee	N/A	N/A	N/A	
Water Supply Contract with Fort Bend MUD 206	TBD	The NFBWA Surface Water Fee	N/A	N/A	N/A	

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

32. List top **TEN** customers of the water and/or wastewater system by annual revenue with corresponding usage and percentage of total use, including whether any are in bankruptcy.

a. **WATER – N/A**

Customer Name	Annual Usage (gal)	Percent of Total Water Revenue	Bankruptcy (Y/N)

b. **WASTEWATER – N/A, the NFBWA does not provide wastewater.**

Customer Name	Annual Usage (gal)	Percent of Total Wastewater Revenue	Bankruptcy (Y/N)

33. Current Average Residential Usage and Rate Information – **N/A**

Service	Date of Last Rate Increase	Avg. Monthly Usage (gallons)	Avg. Monthly Bill (\$)	Avg. Monthly Increase Per Customer(\$)	Projected Monthly Increase Necessary (\$)
Water					
Wastewater					

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

34. Provide the number of customers for each of the past five years. – N/A

Year	Number of Customers
20	
20	
20	
20	
20	

All applicants complete questions 35-51 of the financial section, as applicable.

35. Disclose all issues that may affect the project or the applicant's ability to issue and/or repay debt (such as anticipated lawsuits, judgments, bankruptcies, major customer closings, etc.).
None.

36. Has the applicant ever defaulted on any debt?
 Yes If yes, disclose all circumstances surrounding prior default(s). _____
 No

37. Does the applicant have taxing authority?
 Yes
 No

38. Provide the last five-years of data showing total taxable assessed valuation including net ad valorem taxes levied, corresponding tax rate (detailing debt service and general purposes), and tax collection rate. **N/A, the NFBWA does not have taxing authority**

Fiscal Year Ending	Net Taxable Assessed Value (\$)	Tax Rate	General Fund	Interest & Sinking Fund	Tax Levy \$	Percentage Current Collections	Percentage Total Collections
20							
20							
20							
20							
20							

Comments: _____

39. Attach the last five-years of tax assessed values delineated by Classification (Residential, Commercial and Industrial). **If applicant does not have taxing authority, provide the assessed values of the county.**

- a) 2015 attached
- b) 2014 attached
- c) 2013 attached
- d) 2012 attached
- e) 2011 attached

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

40. Attach the direct and overlapping tax rate table: **N/A, the NFBWA does not have taxing authority**

Attached tax rate table

41. Provide the current top **TEN** taxpayers showing percentage of ownership to total assessed valuation. State if any are in bankruptcy and explain anticipated prospective impacts in the Comments blank, below. If any of these have changed in the past three years, please provide information on the changes to the top ten. **N/A, the NFBWA does not have taxing authority**

Taxpayer Name	Assessed Value	Percent of Total	Bankruptcy (Y/N)

Comments: _____

42. Provide the maximum tax rate permitted by law per \$100 of property value. **N/A, the NFBWA does not have taxing authority**

43. Does the applicant collect sales tax?

Yes Provide the sales tax collection history for the past five years.

Fiscal Year Ending	Total Collections
20	
20	
20	
20	
20	

No

44. Indicate the tax status of the proposed loan?

Tax-Exempt

Taxable

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

45. Proforma (Select one of the four listed below) Please be sure the proforma reflects the schedule requested, including multi-phased funding options.
- a. System revenues are anticipated to be used to repay the proposed debt. Attach a proforma indicating the following information for each year the debt is outstanding:
- projected gross revenues
 - operating and maintenance expenditures
 - outstanding and proposed debt service requirements
 - net revenues available for debt service and coverage of current and proposed debt paid from revenues
- b. Taxes are anticipated to be used to repay the proposed debt. Attach a pro forma indicating the following information for each year the debt is outstanding:
- outstanding and proposed debt service requirements
 - the tax rate necessary to repay current and proposed debt paid from taxes
 - list the assumed collection rate and tax base used to prepare the schedule
- c. Combination of system revenues and taxes to be used to repay the proposed debt. Attach a pro forma indicating the following information for each year the debt is outstanding:
- projected gross revenues, operating and maintenance expenditures, net revenues available for debt service
 - outstanding and proposed debt service requirements
 - the tax rate necessary to pay the current and proposed debt
 - list the assumed collection rate and tax base used to prepare the schedule
- d. Another type of pledge will be used to repay the proposed debt. Attach a pro forma with information for each year the debt is outstanding, which includes projected revenues, annual expenditures, outstanding debt requirements, and revenues available for debt service.
- Attached
46. Attach a **FIVE** year comparative system operating statement (not condensed) including audited prior years and an unaudited year-to-date statement. Unaudited year-to-date statement must reflect the financial status for a period not exceeding the latest six months.
- Attached Operating Statement.**
47. Attach **ONE** copy of an annual audit of financial statements, including the management letter, for the preceding fiscal year prepared by a certified public accountant or firm of accountants and, if the last annual audit was more than 6 months ago, then, provide interim financial information.
- Attached Annual Audit**
 - Attached Management Letter – See email explaining why Management Letter was not needed for Audit**
 - If applicable, attached interim financial information**
48. Does the applicant have any outstanding debt? (Check all that apply)
- Yes, General obligation debt
 - Yes, Revenue debt
 - Yes, Authorized but unissued debt
 - No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

49. Attach a listing of total outstanding debt and identify the debt holder. Segregate by type (General Obligation or Revenue) and present a consolidated schedule for each, showing total annual requirements. Note any authorized but unissued debt.

a. General Obligation Debt:

Yes

Attached schedule. The schedule should also identify the debt holder.

No

b. Revenue:

Yes

Attached schedule. The schedule should also identify the debt holder.

No

c. Authorized by Unissued Debt:

Yes

Attached schedule. The schedule should also identify the debt holder.

No

50. List the ten largest employers of the Applicant's service area:

Name	Number of Employees
Fort Bend ISD	9,085
Lamar CISD	2,884
Fluor Corporation	2,430
Methodist Sugar Land Hospital	2,200
Schlumberger Technology Corp.	1,750
United Parcel Service	1,200
Oak Bend Medical Center	1,164
Nalco Company Energy Services Division	1,100
Frito-Lay, Inc.	994
Texana Center	867

Comments (example, any anticipated changes to the tax base, employers etc.) The NFBWA is primarily residential. Therefore, the employers above reflect the largest in Fort Bend County. Source: Fort Bend County.

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

51. Provide any current bond ratings with date received. **As of April 17, 2018**

	Standard & Poor's	Date Received	Moody's	Date Received	Fitch	Date Received
Water System Revenue Bonds – Senior Lien	A+	12/28/2012	NA	NA	A+	7/3/2017
Water System Revenue Bonds – Junior Lien	NA	NA	NA	NA	NA	NA

52. Is the project intended to allow the applicant to provide or receive water or sewer services to or from another entity?

Yes. If yes, the applicant must attach, at a minimum, the proposed agreement, contract, or other documentation establishing the service relationship, with the final and binding agreements provided prior to loan closing.

No. **Attached**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

Part D: Project Information – Please refer to the West Harris County Regional Water Authority’s application for the project “WHCRWA/NFBWA Transmission Line” for the information in this section.

53. Description of Project Need (for example, is the project needed to address a current compliance issue, avoid potential compliance issues, extend service, expand capacity, etc.):

See WHCRWA application for the SWSP.

54. Description of Project, including a bulleted list of project elements/components, and alternatives considered (including existing facilities):

See WHCRWA application for the SWSP.

A complete preliminary engineering feasibility data must include:

- a. A description and purpose of the project, including existing facilities.
 - Note: CWSRF and DWSRF must address issues scored in Intended Use Plan submittal **Attached**
- b. **If project is for Construction only, then attach** the appropriate Engineering Feasibility Report:
 - a) **Water** (TWDB-0555 at <http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0555.pdf>)
 Attached
 - b) **Wastewater** (TWDB-0556 at <http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0556.pdf>)
 Attached
- c. DWSRF applicants must complete a Projected Draw Schedule (TWDB-1202 at <http://www.twdb.texas.gov/financial/instructions/doc/TWDB-1202.xls>)

55. Water Made Available (For projects requesting a construction component): **See WHCRWA application for the SWSP.**

- a. *New supply* _____ (*acre-feet/year*) _____ (*\$*) *capital cost*
 - The **increase** in the total annual volume of water supply that will be made available to the recipient(s) by the proposed project.
 - Water Plan project examples: new groundwater wells, reservoir development, pipelines to sources.
- b. *New Conservation savings* _____ (*acre-feet/year*) _____ (*\$*) *capital cost*
 - Annual volume of anticipated water savings resulting from implementation of the proposed conservation project including water loss) and other conservation activities,
 - Water Plan project examples: municipal conservation, advanced Water Conservation, on-farm conservation, brush control, irrigation conservation.

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

- c. *New Reuse supply* _____ (*acre-feet/year*) _____ (*\$*) *capital cost*
- o Increase in the annual volume of (direct or indirect) reuse water supply that will be made available to the recipient(s) by the proposed project.
 - o Water Plan project examples: direct reuse, non-potable reuse, recycled water programs.
- d. *Maintenance of Current Supply* _____ (*acre-feet/year*) _____ (*\$*) *capital cost*
- o Volume of recipients' current supplies that will be maintained by implementing the proposed project
 - o Water Plan project examples: None. Not a water plan project. (Examples of these type projects: treatment rehabilitation, system storage facilities, system upgrades).

56. Project Location:

See WHCRWA application for the SWSP.

Attach a map of the service area and drawings as necessary to locate and describe the project. The map should show the project footprint and major project components.

Attached

57. Attach the Census tract numbers in which the applicant's service area is within. The Census tracts within your area may be found at:

<http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>

Please follow these steps:

- Select Advanced Search.
- Select the Geographies button located below Topics (left side of page).
- On the top of the window select the Name tab.
- In the text box, type "All Census Tracts within____" (Fill in the blank with the name of a County Subdivision or a Place.) Select "Go".
- If your town is a County Subdivision, select the geography labeled "All Census Tracts (or parts) within City, County, State" from the Geography Results. If your town is a place select the geography labeled "All Census Tracts (or parts) full-or-partially within City, State" from the Geography Results.
- Close the Geographies Search window.
- Use the Topics on the left side of the page to further refine your search or to select a table(s) from your search results.

Attached Census tracts – Census tracts for the NFBWA only.

58. Project Schedule: **See WHCRWA application for the SWSP.**

- a) Requested loan closing date.
- b) Estimated date to submit environmental planning documents.
- c) Estimated date to submit engineering planning documents.

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

- d) Estimated date for completion of design.
- e) Estimated Construction start date for first contract.
- f) Estimated Construction end date for last contract.

59. **Attach** a copy of current and future populations and projected water use or wastewater flows. Include entities to be served.

Attached – NFBWA population and water use projections only.

60. Attach the most current itemized project cost estimate (include all costs and funding sources). Utilize the budget format provided (TWDB-1201 at <http://www.twdb.texas.gov/financial/instructions/>). If applying for pre-construction costs only (i.e., P, A, D) then itemize only the relevant portions in the attached budget template **See WHCRWA application for the SWSP.**

Attached

61. Attach the appropriate Project Information Form: **See WHCRWA application for the SWSP.**

Wastewater: Attached a completed Wastewater Project Information Form WRD-253a <http://www.twdb.texas.gov/financial/instructions/index.asp>

Water: Attached a completed Water Project Information Form WRD-253d <http://www.twdb.texas.gov/financial/instructions/index.asp>

62. If the project is for Construction only, wastewater projects that involve the construction of a new plant or the expansion of an existing plant and/or associated facilities, attach evidence that an application for a new Texas Pollution Discharge Elimination System Permit or amendment to an existing permit related to the proposed project has been filed with the Texas Commission on Environmental Quality (TCEQ). Final permit authorization must be obtained from the TCEQ before funds can be released for construction activities. **See WHCRWA application for the SWSP.**

Attached

No. Provide explanation:

63. If this project will result in: (a) an increase by the applicant in the use of groundwater, (b) drilling a new water well, or (c) an increase by the applicant in use of surface water, then the applicant must demonstrate that it has acquired – by contract, ownership or lease – the necessary property rights, groundwater permits, and/or surface water rights sufficient for the project before funds can be released for construction. **See WHCRWA application for the SWSP.**

a) Does the applicant currently own all the property rights, groundwater permits and surface water rights needed for this project?

Yes If yes, please attach the completed, appropriate form.

1. WRD 208A (<http://www.twdb.texas.gov/financial/instructions/index.asp>) (Surface Water)

Attached

2. WRD 208B (<http://www.twdb.texas.gov/financial/instructions/index.asp>) (Groundwater)

Attached

No

N/A

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

- b) If all property rights, groundwater permits, and surface water rights, needed for this project have not yet been acquired, identify the rights and/or permits that will need to be acquired and provide the anticipated date by which the applicant expects to have acquired such rights and/or permits.

Type of Permit Water Right	Entity from which the permit or right must be acquired	Acquired by lease or full ownership	Expected acquisition date	Permit / Water Right ID No.

- c) List any major permits not identified elsewhere that are necessary for completion of project. Also, list any more necessary minor permits that may involve particular difficulty due to the nature of the proposed project.

Permit	Issuing Entity	Permit Acquired (Y/N)

64. Has the applicant obtained all necessary land and easements for the project? **See WHCRWA application for the SWSP.**

- Yes. If yes, attach the site certificate (ED-101 at <http://www.twdb.texas.gov/financial/instructions/index.asp>)
 Attached
- No. If no, **fill out the table below** and describe the land or easements that will need to be acquired, provide the anticipated date by which the applicant expects to have the land or easements, and indicate if funding from TWDB is to be used for the acquisition.

Description of Land or Easement Permit	Entity from which the permit or right must be acquired	Acquired by lease or full ownership	Expected acquisition date	To Be Funded by TWDB (Yes/No)

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

65. Has a Categorical Exclusion (CE), Determination of No Effect (DNE), Finding of No Significant Impact (FONSI), Record of Decision (ROD), or any other environmental determination been issued for this project? **See WHCRWA application for the SWSP.**

- Yes
- Attach a copy of the finding.
- No

66. Is the project potentially eligible for a Categorical Exclusion (CE)/ Determination of No Effect (DNE) because it involves only minor rehabilitation or the functional replacement of existing equipment? **See WHCRWA application for the SWSP.**

- Yes
- No

67. Are there potentially adverse environmental or social impacts that may require mitigation or extensive regulatory agency or public coordination (e.g. known impacts to properties eligible for listing on the National Register of Historic Places; potentially significant public controversy; need for an individual permit from the U.S. Army Corps of Engineers)? **See WHCRWA application for the SWSP.**

- Yes
 - If yes, attach additional information
- No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

Part E: State Water Implementation Fund for Texas (SWIFT) Applicants Only:

68. Identify the type of SWIFT funding (If more than one funding option is being requested indicate the amount of funding for each):

- | | | |
|-------------------------------------|---------------------|---------------|
| <input type="checkbox"/> | Deferred | \$ |
| <input checked="" type="checkbox"/> | Low Interest Loan | \$154,535,000 |
| <input type="checkbox"/> | Board Participation | \$ |

69. For multi-year funding request or phased commitments, provide a schedule reflecting the closing dates for each loan requested.

Attached

70. **Notice to SWIFT Applicants:** Texas Water Code Sec. 15.435(h) requires all recipients of financial assistance from the SWIFT to acknowledge any applicable legal obligations in federal law, related to contracting with disadvantaged business enterprises, and state law, related to contracting with historically underutilized businesses. Checking the boxes below serves as this acknowledgement.

As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with any applicable legal obligations in federal law related to contracting with disadvantaged business enterprises.

As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with applicable legal obligations in state law (Texas Government Code Chapter 2161 and Texas Administrative Code Chapter 20, Subchapter B) related to contracting with historically underutilized businesses.

71. Provide drafts of the following documents:

a. Proposed Bond Ordinance

Attached

b. Private Placement Memorandum

Attached

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

Part I: Summary of attachments to application

Following is a list of the documents that may be necessary in order to process this application. While not all of the listed information below may be required for all projects, an applicant should review the application carefully because incomplete applications will not be processed until all of this information has been provided. In addition, please make sure your entity system name appears on every attachment. **Label each attachment with the number of the pertinent application section (i.e. "Part B5").**

Check list for your convenience

Part A **General Information**
 No. 6 Draft or executed consulting contracts (engineering, financial advisor, bond counsel)

Part B **Legal**
 No. 17 Resolution (TWDB-0201A)
 No. 18 Application Affidavit (TWDB-0201)
 No. 19 Certificate of Secretary (TWDB-201B)
 No. 21 Resolution/ordinance authorizing the issuance of parity debt
 No. 25 Two copies of the Water Conservation Plan (TWDB-1968 and TWDB-1965)

Part C **Financial**
 No. 39 Assessed Values by Classifications
 No. 45 Proforma for each year of debt outstanding
 No. 46 Five year comparative system operating statement.
 No. 47 Annual audit and management letter
 No. 49 Outstanding debt schedule
 No. 52 Service provider contracts

Part D **Project Information**
 No. 57 Census Tract(s)
 No. 59 Current and future populations and projected water use or wastewater flows

Part E **State Water Implementation Fund for Texas**
 No. 69 Multi-year/phased commitment schedule
 No. 71a Draft Bond Ordinance
 No. 71b Private Placement Memorandum

SPECIAL DISTRICT LOCAL LAWS CODE

TITLE 6. WATER AND WASTEWATER

SUBTITLE H. DISTRICTS GOVERNING GROUNDWATER

CHAPTER 8813. NORTH FORT BEND WATER AUTHORITY

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 8813.001. DEFINITIONS. In this chapter:

- (1) "Authority" means the North Fort Bend Water Authority.
- (2) "Board" means the board of directors of the authority.
- (3) "Commission" means the Texas Commission on Environmental Quality or its successor.
- (4) "Director" means a member of the board.
- (5) "District" means any district created under Sections 52(b)(1) and (2), Article III, or Section 59, Article XVI, Texas Constitution, regardless of the manner of creation, other than:
 - (A) a navigation district or port authority;
 - (B) a district governed by Chapter 36, Water Code; or
 - (C) a district that does not have the legal authority to supply water.
- (6) "Groundwater reduction plan" means a plan adopted or implemented to supply water, reduce reliance on groundwater, regulate groundwater pumping and usage, or require and allocate water usage among persons in order to comply with or exceed requirements imposed by the Fort Bend Subsidence District or the Harris-Galveston Subsidence District, as applicable, including any applicable groundwater reduction requirements.
- (7) "Local government" means a municipality, county, district, or other political subdivision of this state or a combination of two or more of those entities.
- (8) "Person" includes an individual, corporation, organization, government or governmental subdivision or agency, district, local government, business trust, estate, trust, partnership, association, and any other legal entity.
- (9) "Subsidence" means the lowering in elevation of the

surface of land by the withdrawal of groundwater.

(10) "System" means a network of pipelines, conduits, valves, canals, pumping stations, force mains, treatment plants, and any other construction, device, or related appurtenance used to treat or transport water.

(11) "Water" includes:

(A) groundwater, percolating or otherwise;

(B) any surface water, natural or artificial, navigable or nonnavigable; and

(C) industrial and municipal wastewater.

(12) "Well" includes a facility, device, or method used to withdraw groundwater from a groundwater source within the boundaries of the authority.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 161 (S.B. 1093), Sec. 18.006, eff. September 1, 2013.

Sec. 8813.002. NATURE OF AUTHORITY. The authority is a regional water authority in Fort Bend and Harris Counties created under and essential to accomplish the purposes of Section 59, Article XVI, Texas Constitution, including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, and recharge of groundwater and of groundwater reservoirs or their subdivisions, the prevention of waste of groundwater, the control of subsidence caused by the withdrawal of water from groundwater reservoirs or their subdivisions, and other public purposes stated in this chapter. The authority is a political subdivision of this state.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Sec. 8813.003. CONFIRMATION ELECTION NOT REQUIRED. An election to confirm the creation of the authority is not required.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Sec. 8813.004. INITIAL AUTHORITY TERRITORY. (a) The authority is initially composed of the territory described by Section 2 of the Act creating this chapter.

(b) The boundaries and field notes contained in Section 2 of the Act creating this chapter form a closure. A mistake made in the field notes or in copying the field notes in the legislative process does not affect:

(1) the organization, existence, or validity of the authority;

(2) the right of the authority to issue any type of bond or note for the purposes for which the authority is created or to pay the principal of and interest on a bond or note;

(3) the right of the authority to impose or collect a fee, user fee, rate, charge, or special assessment; or

(4) the legality or operation of the authority.

(c) All of the territory of a local government created after the effective date of the Act creating this chapter that encompasses any territory within the boundaries of the authority, immediately on the creation and without any action required of the authority, is subject to all of the rights, powers, privileges, and rules of the authority to the same extent as the territory was before the local government was created.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Sec. 8813.005. EXCLUSION OF CERTAIN TERRITORY. (a) A district or municipality that, on the effective date of the Act creating this chapter, is located, wholly or partly, within the territory described by Section 2(a) or (b) of the Act creating this chapter may petition for exclusion of all of its territory from the authority's boundaries by a petition signed by a majority of the members of the governing body of the district or municipality.

(b) The board shall:

(1) not later than the 120th day after the effective date of the Act creating this chapter, grant the petition and order the territory excluded if the petition:

(A) includes an accurate legal description of the boundaries of the territory to be excluded; and

(B) is filed with the authority not later than the 60th day after the effective date of the Act creating this chapter; and

(2) if the board grants the petition, file for recording in the office of the county clerk for the applicable county or counties a copy of the order and a description of the authority's boundaries as they exist after the exclusion of the territory.

(c) If a district or municipality is excluded from the authority's boundaries under this section, the authority is not required to:

(1) provide water or any other service to the district or municipality; or

(2) include the district or municipality in any groundwater reduction plan adopted or implemented by the authority.

(d) If, not later than the 60th day after the effective date of the Act creating this chapter, a district or municipality files a petition for exclusion under this section, the authority may not impose fees, user fees, rates, charges, or special assessments on the district or municipality after the petition is filed with the authority unless the district or municipality is annexed by the authority under Section 8813.006.

(e) If a district or municipality excluded from the authority's boundaries under this section petitions the authority to be annexed under Section 8813.006, the authority may annex the district or municipality. The authority may, as a condition of annexation, require terms and conditions the board considers appropriate. The authority may require the district or municipality to pay the authority the fees, user fees, charges, and special assessments, with interest, that, as determined by the authority, the district or municipality would have been charged by the authority if the district or municipality had not been excluded from the authority under this section.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June

17, 2005.

Sec. 8813.006. ANNEXATION. (a) Except to the extent the authority agrees in writing, a municipality's annexation of territory within the authority does not affect:

- (1) the authority's powers inside or outside the annexed territory;
- (2) the authority's boundaries or contracts; or
- (3) the authority's ability to assess fees, user fees, rates, charges, or special assessments inside or outside the territory annexed by the municipality.

(b) Territory may be annexed to the authority, regardless of whether the territory is contiguous to the authority, as provided by Chapter 49, Water Code.

(c) In addition to the authority granted by Subsection (b), regardless of whether the territory is contiguous to the authority, the authority may annex some or all of the territory located within a district or municipality if the district or municipality files with the authority a petition requesting the annexation signed by a majority of the members of the governing body of the district or municipality. The petition must include an accurate legal description of the boundaries of the territory to be included. If the authority has bonds, notes, or other obligations outstanding, the authority shall require the petitioning district or municipality to be obligated to pay its share of the principal of and interest on the outstanding bonds, notes, or other obligations, and related costs. The board may grant the petition and order the territory described by the petition annexed to the authority if it is feasible, practicable, and to the advantage of the authority.

(d) Any territory that a district located within the authority annexes becomes territory of the authority on the effective date of the annexation without any action required of the authority. The authority by rule may require all districts located within the authority to send to the authority written notice of the effective date of an annexation and require the districts to send to the authority copies of any necessary documents describing the annexed land and describing the districts' boundaries as they exist after

inclusion of the annexed land.

(e) The annexation to the authority of territory under this section does not affect the validity of the authority's bonds issued before or after the annexation.

(f) A municipality that annexes territory of the authority for limited purposes under Subchapter F, Chapter 43, Local Government Code, does not have the right to:

(1) receive notices from the authority under Section 8813.103(c);

(2) participate in the appointment of directors under Subchapter B; or

(3) receive information about or have the opportunity to fund its share of capital costs in the manner provided by the authority under Section 8813.104.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Sec. 8813.007. APPLICABILITY OF OTHER LAW. (a) Except as otherwise provided by this chapter, Chapter 49, Water Code, applies to the authority.

(b) This chapter does not prevail over or preempt a provision of Chapter 36, Water Code, or Chapter 8801 or 8834 of this code that is being implemented by the Harris-Galveston Subsidence District or Fort Bend Subsidence District, as applicable.

(c) Chapter 36, Water Code, does not apply to the authority.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Amended by:

Acts 2009, 81st Leg., R.S., Ch. 875 (S.B. 2514), Sec. 1, eff. June 19, 2009.

Acts 2013, 83rd Leg., R.S., Ch. 161 (S.B. 1093), Sec. 18.007, eff. September 1, 2013.

Sec. 8813.008. FINDING OF BENEFIT. All the land, property, and persons included within the boundaries of the authority will be directly benefited by the works, projects, improvements, and services

to be provided by the authority under powers conferred by Section 59, Article XVI, Texas Constitution, and this chapter. The authority is created to serve a public use and benefit. The creation of the authority will serve to promote the health, safety, and general welfare of persons within the authority and the general public. Any fees, user fees, rates, charges, or special assessments imposed by the authority under this chapter are necessary to pay for the costs of accomplishing the purposes of the authority as set forth in Section 59, Article XVI, Texas Constitution, and this chapter, including:

- (1) the reduction of groundwater withdrawals;
- (2) the facilitation of compliance with the requirements of the Fort Bend Subsidence District or the Harris-Galveston Subsidence District, as applicable; and
- (3) the provision of services, facilities, and systems.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 161 (S.B. 1093), Sec. 18.008, eff. September 1, 2013.

SUBCHAPTER B. BOARD OF DIRECTORS

Sec. 8813.051. DIRECTORS; TERMS. (a) The authority is governed by a board of seven directors.

(b) The directors serve staggered four-year terms that expire May 15 of even-numbered years.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Sec. 8813.052. ELIGIBILITY TO SERVE AS DIRECTOR. (a) To be eligible to serve as a director of the authority or to be listed on a ballot as a candidate for director of the authority representing a director precinct, an individual must:

- (1) be at least 18 years of age;
- (2) be a resident of the authority; and
- (3) have served as a director of one or more districts for a

total of at least four years.

(b) Notwithstanding Subsection (a), to serve as a director representing, or to be listed on a ballot as a candidate for director representing, a director precinct that includes any part of the City of Fulshear, an individual must:

(1) meet the qualifications provided by Subsections (a)(1) and (2); and

(2) have served as:

(A) the mayor or a member of the city council of the City of Fulshear for any period; or

(B) a director of one or more districts for a total of at least four years.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Sec. 8813.053. DISQUALIFICATION OF DIRECTORS. The common law doctrine of incompatibility does not disqualify an official or employee of a public entity from serving as a director of the authority. A director who is also an officer or employee of a public entity may not participate in the discussion of or vote on a matter regarding a contract with that public entity.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Sec. 8813.054. CONFLICTS OF INTEREST. Chapter 171, Local Government Code, governs conflicts of interest of board members.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Sec. 8813.055. SINGLE-MEMBER DIRECTOR PRECINCTS. (a) The authority is divided into seven single-member director precincts, as described by Section 3 of the Act creating this chapter.

(b) The board may redraw the single-member director precincts in a manner that is reasonable and equitable:

(1) after any change in the boundaries of the authority; or

(2) by a resolution redrawing the director precincts adopted by a two-thirds majority of the board based on changed circumstances.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Sec. 8813.056. METHOD OF APPOINTMENT OF DIRECTORS. (a) The governing bodies of the districts and municipalities located within each director precinct jointly shall appoint one director to represent the precinct by a vote conducted as provided by this section.

(b) If a district or municipality is located within two or more director precincts, the district or municipality is considered, for purposes of this section, to be located only within the director precinct in which the greatest amount of territory of the district or municipality is located.

(c) For the appointment of a director for a director precinct, the board shall determine the number of votes each district or municipality may cast. The number of votes for a governing body of a district or municipality within the precinct is equal to the number computed by dividing the total number of units of water, as determined by the board, used within the precinct by the district or municipality during the calendar year preceding the year in which the director is selected by the total number of units of water used within the precinct by all districts and municipalities in the precinct, multiplying that quotient by 100, and rounding that result to the nearest one-tenth. The board shall provide the presiding officer of each governing body of a district or municipality within each director precinct written notice of the number of votes computed for that governing body to cast.

(d) For purposes of Subsection (c), the board shall determine the amount of water usage of all districts and municipalities within each director precinct.

(e) In the appropriate even-numbered year, the governing body of each district or municipality in a director precinct by resolution may nominate one candidate for the position of director for that director precinct. Each district or municipality shall submit the name of its candidate, if any, to the presiding officer of the authority by February 15 of that year. If by February 15 of that year only one

candidate's name is submitted for the position of director for a director precinct, the board may declare the unopposed candidate elected and may cancel the director appointment procedures generally required by this section for that position. If more than one candidate's name is submitted for the position of director for a director precinct, before March 15 of that year the board shall prepare, for the director precinct or precincts from which a director is being appointed, a ballot listing all of the candidates for that director precinct and shall provide a copy of the appropriate ballot to the presiding officer of the governing body of each district or municipality located within the director precinct from which a director is being appointed.

(f) An individual may not be listed as a candidate on the ballot for more than one director position. If a candidate is nominated for more than one director position, the candidate must choose to be on the ballot for only one director position.

(g) The governing body of each district or municipality shall determine its votes for director by resolution and submit them to the presiding officer of the authority before May 1 of the appropriate even-numbered year. In casting its votes for director, the governing body of each district or municipality may vote for only one candidate on the ballot for the director precinct in which the district or municipality is located. For each director precinct from which a director is being appointed, the board shall count the votes, declare elected the candidate who received the greatest number of votes from districts and municipalities located within that director precinct, and submit the results before May 15 of that year to the governing body of each district or municipality within that director precinct.

(h) The board may adopt rules regarding:

- (1) the manner and timing of determinations and calculations required by this section;
- (2) the reporting of water usage to the authority by districts and municipalities; and
- (3) the conduct and process of the appointment of directors.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Sec. 8813.057. VACANCY IN OFFICE OF DIRECTOR. A vacancy in the office of director shall be filled by appointment by the governing bodies of the districts and municipalities that are located within the director precinct for which the vacancy occurred. The appointment process shall follow the procedures of Section 8813.056. The board may establish dates different from those specified by Sections 8813.056(e) and (g), but the date for the board's submission of the voting results to each district and municipality may not be later than the 120th day after the date the vacancy occurs.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Sec. 8813.058. MEETINGS AND ACTIONS OF BOARD. (a) The board may meet as many times each year as the board considers appropriate.

(b) Directors of the authority are public officials and are entitled to governmental immunity for their actions in their capacity as directors and officers of the authority.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Sec. 8813.059. GENERAL MANAGER. (a) The board may employ a general manager of the authority or contract with a person to perform the duties of a general manager. The board may delegate to the general manager full authority to manage and operate the affairs of the authority subject only to orders of the board.

(b) The board may delegate to the general manager the authority to employ all persons necessary for the proper handling of the business and operation of the authority and to determine the compensation to be paid to all employees, other than the general manager.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

SUBCHAPTER C. POWERS AND DUTIES

Sec. 8813.101. GENERAL POWERS AND DUTIES. (a) The authority may:

(1) provide for the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and for the reduction of groundwater withdrawals as necessary to develop, implement, or enforce a groundwater reduction plan, in a manner consistent with the purposes of Section 59, Article XVI, Texas Constitution, and facilitate compliance with Fort Bend Subsidence District or Harris-Galveston Subsidence District, as applicable, rules, orders, regulations, or requirements;

(2) acquire or develop surface water and groundwater supplies from sources inside or outside the boundaries of the authority, conserve, store, transport, treat, purify, distribute, sell, and deliver water to or among persons inside and outside the boundaries of the authority, and allocate water among persons participating in the authority's groundwater reduction plan whether they are located inside or outside the authority's boundaries;

(3) enter into contracts with persons inside or outside the authority on terms and conditions the board considers desirable, fair, and advantageous for the performance of its rights, powers, and authority under this chapter;

(4) coordinate water services provided inside, outside, or into the authority;

(5) provide wholesale and retail water services to any users or customers within the authority's boundaries without being required to execute contracts with those users or customers;

(6) adopt policies establishing whether, when, and the manner in which the authority uses requests for proposals in obtaining services, including professional services;

(7) determine whether to adopt administrative policies in addition to those required by Section 49.199, Water Code; and

(8) administer and enforce this chapter.

(b) Sections 49.451-49.455, Water Code, do not apply to the authority.

(c) Notwithstanding Subsection (a)(5), the authority may not provide retail water service to a retail user within the authority's boundaries that is located within the boundaries of a district or municipality on the date the authority awards a contract for the

construction or executes a contract for the acquisition of water facilities to serve that retail user, unless:

(1) the district or municipality consents in writing to the authority's provision of retail water service; or

(2) the retail user owns or operates a well.

(d) If a retail user that does not own or operate a well is added to the boundaries of a district or municipality after the date the authority awards a contract for the construction or executes a contract for the acquisition of water facilities to serve that retail user, the authority may provide retail service to that retail user without the written consent of the district or municipality.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 161 (S.B. 1093), Sec. 18.009, eff. September 1, 2013.

Sec. 8813.102. AUTHORITY RULES. The authority may adopt and enforce rules reasonably required to implement this chapter, including rules governing procedures before the board and rules regarding implementation, enforcement, and any other matters related to the authority's water supply or groundwater reduction plan.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Sec. 8813.103. FEES, USER FEES, RATES, AND CHARGES. (a) The authority may establish fees, user fees, rates, and charges and classifications of payers of fees and rates as necessary to enable the authority to fulfill the authority's purposes and regulatory functions provided by this chapter. The authority may impose fees, user fees, rates, and charges on any person within the authority.

(b) The authority may charge the owner of a well located within the authority's boundaries a fee or user fee according to the amount of water pumped from the well. If ownership of a well changes, both the prior and subsequent well owners are liable to the authority, jointly and severally, for all fees and user fees imposed by the

authority under this subsection, and any related penalties and interest, for water pumped from that well before the change in well ownership.

(c) The board shall make reasonable efforts to send districts and municipalities written notice of the date, time, and location of the meeting at which the board intends to adopt a proposed charge under Subsection (b) and the amount of the proposed charge. The board's failure to comply with this subsection does not invalidate a charge adopted by the board under Subsection (b).

(d) For wells located in Harris County or Fort Bend County, the board shall exempt from the charge under Subsection (b) classes of wells that are not subject to any groundwater reduction requirement imposed by the Harris-Galveston Subsidence District or the Fort Bend Subsidence District, as applicable. If any of those classes of wells become subject to a groundwater reduction requirement imposed by the applicable subsidence district, the authority may impose the charge under Subsection (b) on those classes. The board by rule may exempt any other classes of wells from the charge under Subsection (b). The board may not apply the charge under Subsection (b) to a well:

(1) with a casing diameter of less than five inches that serves only a single-family dwelling; or

(2) regulated under Chapter 27, Water Code.

(e) For purposes of Subsection (d), a well is subject to a groundwater reduction requirement if the Harris-Galveston Subsidence District or the Fort Bend Subsidence District, as applicable, has adopted or adopts a requirement or rule that groundwater withdrawals from the well, or from the well and other wells collectively, be reduced, including a groundwater reduction that is not required until a future date.

(e-1) Notwithstanding Subsection (d), the authority may impose a charge under Subsection (b) on a well or class of wells located in Harris or Fort Bend County that, on or after February 1, 2013:

(1) ceases to be subject to a groundwater reduction requirement imposed by the Harris-Galveston Subsidence District or the Fort Bend Subsidence District, as applicable; or

(2) is no longer subject to the regulatory provisions, permitting requirements, or jurisdiction of the Harris-Galveston Subsidence District or the Fort Bend Subsidence District, as

applicable.

(f) The authority may establish fees, user fees, rates, and charges that are sufficient to:

- (1) achieve water conservation;
- (2) prevent waste of water;
- (3) serve as a disincentive to pumping groundwater;
- (4) develop, implement, or enforce a groundwater reduction plan;
- (5) accomplish the purposes of this chapter, including making available alternative water supplies;
- (6) enable the authority to meet operation and maintenance expenses;
- (7) pay the principal of and interest on notes, bonds, and other obligations issued in connection with the exercise of the authority's general powers and duties; and
- (8) satisfy all rate covenants relating to the issuance of notes, bonds, and other obligations.

(g) The authority may charge rates established by the authority for water purchased from the authority.

(h) The authority may impose fees, user fees, or charges for the importation of water into the authority's boundaries from a source located outside the authority's boundaries.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 89 (S.B. 595), Sec. 1, eff. May 18, 2013.

Acts 2013, 83rd Leg., R.S., Ch. 161 (S.B. 1093), Sec. 18.010, eff. September 1, 2013.

Sec. 8813.104. PURCHASE OF WATER FROM ANOTHER ENTITY. (a) If the authority purchases water from another entity for resale to local governments, the authority shall use its best efforts in negotiating with the entity to determine the amount of capital costs included in any rates or charges paid by the authority. The authority shall determine the amount of expected capital costs of its own system.

(b) The authority shall provide each district or municipality

within its boundaries information regarding the share of the capital costs to be paid by the district or municipality, as determined by the authority, and shall provide each district or municipality the opportunity, in a manner and by a procedure determined by the authority, to fund its share of the capital costs with proceeds from the sale of bonds or fees and charges collected by the districts or municipalities. A district or municipality may use any lawful source of revenue, including bond funds, to pay any sums due to the authority.

(c) The authority may adopt a procedure by which a district or municipality may receive a credit from the authority. The board may adopt any other procedure necessary to accomplish the goals of this section.

(d) In complying with this section, the authority may use any reasonable basis to calculate from time to time the share of the capital costs of a district or municipality. The authority may calculate the shares of the capital costs based on the amount of water used within the authority by the district or municipality during the calendar year preceding the year in which the calculation is made.

(e) This section or any failure to comply with this section does not limit or impede the authority's ability to issue bonds or notes or invalidate any fees, user fees, charges, rates, or special assessments imposed by the authority.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Sec. 8813.105. ASSESSMENTS. (a) The board may undertake improvement projects and services that confer a special benefit on all or a definable part of the authority. The board may impose special assessments on property in that area, including property of a local government, based on the benefit conferred by the improvement project or services, to pay all or part of the cost of the project and services. The board may provide improvements and services to an area outside the boundaries of the authority if the board determines that there is a benefit to the authority. The authority may finance with special assessments any improvement project or service authorized by this chapter or any other applicable law.

(b) Services or improvement projects may be financed with special assessments under this chapter only after the board holds a public hearing on the advisability of the improvements and services and the proposed assessments.

(c) The board shall publish notice of the hearing in a newspaper or newspapers with general circulation in Harris and Fort Bend Counties. The publication must be made not later than the 30th day before the date of the hearing.

(d) Notice provided under this section must include:

- (1) the time and place of the hearing;
- (2) the general nature of the proposed improvement project or services;
- (3) the estimated cost of the improvement, including interest during construction and associated financing costs; and
- (4) the proposed method of assessment.

(e) Written notice containing the information required by Subsection (d) shall be mailed by certified mail, return receipt requested, not later than the 30th day before the date of the hearing. The notice shall be mailed to each person within the authority who holds a permit for a well issued by the Harris-Galveston Subsidence District or Fort Bend Subsidence District, as applicable, and whose well is subject to a groundwater reduction requirement imposed by that district. The Harris-Galveston Subsidence District and Fort Bend Subsidence District shall provide to the authority a list of persons who hold such a permit.

(f) The board may establish rules regarding procedures for a hearing. A hearing on the services or improvement project, whether conducted by the board or a hearings examiner, may be adjourned from time to time. At the conclusion of a hearing conducted by the board, the board shall make written findings and conclusions relating to the advisability of the improvement project or services, the nature of the improvement project or services, the estimated cost, and the area benefited. If the board appoints a hearings examiner to conduct the hearing, after conclusion of the hearing, the hearings examiner shall file with the board a written report of the examiner's findings and conclusions.

(g) At a hearing on proposed assessments, on adjournment of the hearing, or after consideration of the hearings examiner's report, the

board shall hear and rule on all objections to each proposed assessment. The board may amend proposed assessments for any property. After the board hears and takes action on those objections, the board, by order:

(1) shall impose the assessments as special assessments on the property;

(2) shall specify the method of payment of the assessments; and

(3) may provide that those assessments, including interest, be paid in periodic installments.

(h) Periodic installments must be in amounts sufficient to meet annual costs for services and improvements as provided by Subsection (j) and continue for the number of years required to retire the indebtedness or pay for the services to be rendered. The board may provide interest charges or penalties for failure to make timely payment and may impose an amount to cover delinquencies and expenses of collection.

(i) If assessments are imposed for more than one service or improvement project, the board may provide that assessments collected for one service or improvement project may be borrowed to be used for another service or improvement project. The board shall establish a procedure for the distribution or use of any assessments in excess of those necessary to finance the services or improvement project for which those assessments were collected.

(j) The board shall apportion the cost of an improvement project or services to be assessed against the property in the authority according to the special benefits that accrue to the property because of the improvement project or services. The board may assess the cost only according to the number of gallons of groundwater pumped from wells within the authority that are subject to a groundwater reduction requirement imposed by the Harris-Galveston Subsidence District or Fort Bend Subsidence District, as applicable. The board may not assess the cost according to groundwater pumped from:

(1) a well with a casing diameter of less than five inches that serves only a single-family dwelling; or

(2) a well that is regulated by Chapter 27, Water Code.

(k) The area of the authority to be assessed according to the findings of the board may be the entire authority or any part of the

authority and may be less than the area proposed in the notice of the hearing.

(l) The area to be assessed may not include property that is not within the authority boundaries at the time of the hearing unless there is an additional hearing, following the required notice.

(m) Notwithstanding Subsection (l), the owner of land annexed to the authority after the authority has imposed assessments may waive the right to notice and an assessment hearing and may agree to the imposition and payment of assessments at an agreed rate for land annexed to the authority. A district or municipality may waive the right to notice and an assessment hearing for land within its boundaries annexed to the authority and may agree to the imposition and payment of assessments at an agreed rate for the annexed land.

(n) The board shall have prepared an assessment roll showing the assessments against each property and the board's basis for the assessment. The assessment roll shall be:

(1) filed with the secretary of the board or other officer who performs the function of secretary; and

(2) open for public inspection.

(o) After notice and hearing in the manner required for an original assessment, the board may make supplemental assessments to correct omissions or mistakes in the assessment:

(1) relating to the total cost of the improvement project or services; or

(2) covering delinquencies or costs of collection.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 161 (S.B. 1093), Sec. 18.011, eff. September 1, 2013.

Sec. 8813.106. INTEREST AND PENALTIES. The board may require the payment of interest on any late or unpaid fees, user fees, rates, charges, and special assessments due the authority, but the interest rate may not exceed the interest rate permitted by Section 2251.025, Government Code. The board may also impose penalties for the failure to make a complete or timely payment to the authority. In addition,

the board may exclude a person, or any territory or well owned or controlled by a person, from the authority's groundwater reduction plan for failure to make a complete or timely payment to the authority.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Sec. 8813.107. ATTORNEY'S FEES AND COLLECTION EXPENSES. (a) The authority is entitled to reasonable attorney's fees incurred by the authority in enforcing its rules.

(b) The authority is entitled to collection expenses and reasonable attorney's fees incurred by the authority in collecting any delinquent fees, user fees, rates, and charges and any related penalties and interest.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Sec. 8813.108. LIEN. (a) Fees and user fees imposed by the authority under Section 8813.103(b), any related penalties and interest, and collection expenses and reasonable attorney's fees incurred by the authority:

(1) are a first and prior lien against the well to which the fees or user fees apply;

(2) are superior to any other lien or claim other than a lien or claim for county, school district, or municipal ad valorem taxes; and

(3) are the personal liability of and a charge against the owner of the well.

(b) A lien under this section is effective from the date of the resolution or order of the board imposing the fee or user fee until the fee or user fee is paid.

(c) The board may enforce the lien in the same manner that a municipal utility district operating under Chapter 54, Water Code, may enforce an ad valorem tax lien against real property.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June

17, 2005.

Sec. 8813.109. ADMINISTRATIVE PENALTY; INJUNCTION. (a) A person who violates a rule or order of the authority is subject to an administrative penalty of not more than \$5,000, as determined by the board, for each violation or each day of a continuing violation. The person shall pay the penalty to the authority.

(b) The authority may bring an action to recover the penalty in a district court in the county where the violation occurred.

(c) The authority may bring an action for injunctive relief in a district court in the county where a violation of an authority rule or order occurs or is threatened to occur. The court may grant to the authority, without bond or other undertaking, a prohibitory or mandatory injunction that the facts warrant, including a temporary restraining order, temporary injunction, or permanent injunction.

(d) The authority may bring an action for an administrative penalty and injunctive relief in the same proceeding.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Sec. 8813.110. WATER SUPPLY OR DROUGHT CONTINGENCY PLANS. The authority by rule may develop, prepare, revise, adopt, implement, enforce, and manage comprehensive water supply or drought contingency plans for the authority, or any portion of the authority.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Sec. 8813.111. GROUNDWATER REDUCTION PLAN. (a) The authority may wholly or partly develop, prepare, revise, adopt, implement, enforce, manage, or participate in a groundwater reduction plan that is applicable only to the authority and one or more persons outside the authority. The authority may require that any groundwater reduction plan that the authority wholly or partly develops, prepares, revises, adopts, implements, enforces, or manages or in which the authority participates be the exclusive groundwater reduction plan that is binding and mandatory on some or all of the territory,

persons, or wells located within the authority. A groundwater reduction plan may:

(1) specify the measures to be taken to reduce groundwater withdrawals;

(2) identify alternative sources of water, including water from the authority, to be provided to those affected;

(3) identify the rates, terms, and conditions under which alternative sources of water will be provided, which may be changed from time to time as considered necessary by the authority;

(4) specify the dates and extent to which persons or districts within the authority's boundaries shall reduce or cease reliance on groundwater and accept water from alternative sources, including water from the authority;

(5) include other terms and measures that are consistent with the powers and duties of the authority;

(6) exceed the minimum requirements imposed by the Harris-Galveston Subsidence District or Fort Bend Subsidence District, as applicable, including any applicable groundwater reduction requirements; and

(7) be amended from time to time at the discretion of the authority.

(b) Fees, user fees, rates, charges, and special assessments of the authority may be imposed under this chapter for a person's participation in and benefit derived from the authority's groundwater reduction plan or a groundwater reduction plan in which the authority participates.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 161 (S.B. 1093), Sec. 18.012, eff. September 1, 2013.

Sec. 8813.112. ACQUISITION, CONSTRUCTION, AND OPERATION OF SYSTEMS. (a) The authority may:

(1) acquire by purchase, gift, lease, contract, or any other legal means a water treatment or supply system, or any other works, plants, improvements, or facilities necessary or convenient to

accomplish the purposes of the authority, or any interest of the authority, inside or outside the authority's boundaries;

(2) design, finance, operate, maintain, or construct a water treatment or supply system or any other works, plants, improvements, or facilities necessary or convenient to accomplish the purposes of the authority and provide water services inside or outside the authority's boundaries;

(3) lease or sell a water treatment or supply system or any other works, plants, improvements, or facilities necessary or convenient to accomplish the purposes of the authority that the authority constructs or acquires inside or outside the authority's boundaries;

(4) contract with any person to operate or maintain a water treatment or supply system the person owns; or

(5) acquire water rights under any law or permit.

(b) The authority may contract, according to terms and conditions the board considers desirable, fair, and advantageous, with a person outside the authority's boundaries:

(1) to allow the person, or the person's well, to be included in a groundwater reduction plan adopted or implemented wholly or partly by the authority or in a groundwater reduction plan in which the authority participates;

(2) to sell water to the person; or

(3) to sell the person available excess capacity or additional capacity of the authority's water treatment or supply system.

(c) The authority by rule may require that the plans and specifications of water lines to be constructed within the authority that are designed or intended to serve more than one district or more than one person owning or holding a well permit issued by the Harris-Galveston Subsidence District or Fort Bend Subsidence District, as applicable, be approved by the authority before the commencement of construction of the water lines.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 161 (S.B. 1093), Sec. 18.013,

eff. September 1, 2013.

Sec. 8813.113. SALE OR REUSE OF WATER OR BY-PRODUCT. The authority may store, sell, or reuse:

- (1) water; or
- (2) any by-product from the authority's operations.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Sec. 8813.114. CONTRACTS. (a) The authority may enter into a contract with a person for the performance of a purpose or function of the authority, including a contract to design, construct, finance, lease, own, manage, operate, or maintain works, improvements, facilities, plants, equipment, or appliances necessary to accomplish a purpose or function of the authority. A contract may be of unlimited duration.

(b) The authority may purchase, acquire, finance, or lease an interest in a project used for a purpose or function of the authority.

(c) The authority may contract for:

- (1) the purchase, sale, or lease of water or water rights;
- (2) the performance of activities within the powers of the authority through the purchase, construction, or installation of works, improvements, facilities, plants, equipment, or appliances; or
- (3) the design, construction, ownership, management, maintenance, or operation of any works, improvements, facilities, plants, equipment, or appliances of the authority or another person.

(d) The authority may purchase surplus property from this state, the United States, or another public entity through a negotiated contract without bids.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Sec. 8813.115. COOPERATION WITH AND ASSISTANCE OF OTHER GOVERNMENTAL ENTITIES. (a) In implementing this chapter, the board may cooperate with and request the assistance of the Texas Water Development Board, the commission, the United States Geological

Survey, the Fort Bend Subsidence District, other local governments, and other agencies of the United States and this state.

(b) The Fort Bend Subsidence District may enter into an interlocal contract with the authority to carry out the authority's purposes and may carry out the governmental functions and services specified in the interlocal contract.

(c) In an attempt to minimize costs associated with preparing a groundwater reduction plan, the board may consider the usefulness of water supply studies and plans prepared by or on behalf of the North Harris County Regional Water Authority, the West Harris County Regional Water Authority, the City of Houston, or other governmental entities to the extent those studies or plans are available and applicable to the authority.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Sec. 8813.116. GIFTS AND GRANTS. The authority may accept a gift or grant from money collected by the Fort Bend Subsidence District to fund the construction, maintenance, or operation of a water treatment or supply system.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Sec. 8813.117. EXPENDITURES. (a) The authority's money may be disbursed only by check, draft, order, federal reserve wire system, or other instrument or authorization.

(b) Disbursements of the authority must be signed by at least a majority of the directors. The board by resolution may allow the general manager, treasurer, bookkeeper, or other employee of the authority to sign disbursements, except as limited by Subsection (c).

(c) The board by resolution may allow disbursements to be transferred by federal reserve wire system to accounts in the name of the authority without the necessity of any directors signing the disbursement. Disbursements of the authority's money by federal reserve wire system to any accounts not in the name of the authority must be signed by at least a majority of the directors.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Sec. 8813.118. AD VALOREM TAXATION. The authority may not impose an ad valorem tax.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Sec. 8813.119. EMINENT DOMAIN. (a) The authority may acquire by condemnation any land, easements, or other property inside the authority's boundaries to further authorized purposes, powers, or duties of the authority. The authority may acquire by condemnation any land, easements, or other property outside the authority's boundaries for the purposes of pumping, storing, treating, or transporting water. When exercising the power of eminent domain granted by this section, the authority may elect to condemn either the fee simple title or a lesser property interest.

(b) The authority shall exercise the right of eminent domain in the manner provided by Chapter 21, Property Code. The authority is not required to give bond for appeal or bond for costs in a condemnation suit or other suit to which it is a party. The authority is not required to deposit more than the amount of an award in a suit.

(c) The authority may not use the power of eminent domain for the condemnation of land for the purpose of acquiring rights to groundwater or for the purpose of acquiring water or water rights.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

Sec. 8813.120. ACTION AGAINST PERSON, DISTRICT, OR POLITICAL SUBDIVISION. (a) The authority may bring an action in a district court against a person, including a district or other political subdivision located in the authority's territory or included in the authority's groundwater reduction plan, to:

(1) recover any fees, rates, charges, assessments, collection expenses, attorney's fees, interest, penalties, or

administrative penalties due the authority; or

(2) enforce the authority's rules or orders.

(b) Governmental immunity from suit or liability of a district or other political subdivision is waived for the purposes of an action under this section.

Added by Acts 2009, 81st Leg., R.S., Ch. 875 (S.B. 2514), Sec. 2, eff. June 19, 2009.

SUBCHAPTER D. BONDS AND NOTES

Sec. 8813.151. REVENUE BONDS AND NOTES. (a) The authority may issue bonds or notes payable solely from revenue from any source, including:

(1) tolls, charges, rates, fees, user fees, and special assessments the authority imposes or collects;

(2) the sale of water, water services, water rights or capacity, water transmission rights or services, water pumping, or any other service or product of the authority provided inside or outside the boundaries of the authority;

(3) grants or gifts;

(4) the ownership or operation of all or a designated part of the authority's works, improvements, facilities, plants, or equipment; and

(5) contracts between the authority and any person.

(b) Notes issued by the authority may be first or subordinate lien notes at the board's discretion.

(c) In connection with any bonds or notes of the authority, the authority may exercise any power of an issuer under Chapter 1371, Government Code.

(d) The authority may conduct a public, private, or negotiated sale of the bonds or notes.

(e) The authority may enter into one or more indentures of trust to further secure its bonds or notes.

(f) The authority may issue bonds or notes in more than one series as necessary to carry out the purposes of this chapter. In issuing bonds or notes secured by revenue of the authority, the authority may reserve the right to issue additional bonds or notes

secured by the authority's revenue that are on a parity with or are senior or subordinate to the bonds or notes issued earlier.

(g) A resolution of the board authorizing the bonds or notes or a trust indenture securing the bonds or notes may specify additional provisions that constitute a contract between the authority and its bondholders or noteholders.

(h) Bonds and notes may be additionally secured by deed of trust or mortgage on any or all of the authority's facilities.

(i) The authority may issue refunding bonds or notes to refund any of its bonds or notes in any manner provided by law.

(j) Sections 49.153, 49.154, and 49.181, Water Code, do not apply to bonds or notes issued by the authority. Commission rules regarding bonds or notes do not apply to bonds or notes issued by the authority.

Added by Acts 2005, 79th Leg., Ch. 893 (S.B. 1798), Sec. 1, eff. June 17, 2005.

PROFESSIONAL ENGINEERING SERVICES AGREEMENT

This Professional Engineering Services Agreement (this "Agreement") is by and between North Fort Bend Water Authority (the "Authority") and Brown & Gay Engineers, Inc. ("Engineer"). Pursuant to the terms and conditions set out in this Agreement, the Authority hereby engages Engineer to perform the services described in Part I ("Services") and Engineer agrees to perform the Services for the compensation set forth in Part III. Engineer shall be authorized to commence the Services upon execution of this Agreement, except for Services that require an executed Job Assignment. The Authority and Engineer agree that this Agreement and the attachments referred to herein constitute the entire agreement between them relating to the following:

General Engineering Services

I. ENGINEER'S RESPONSIBILITIES. Engineer shall perform or furnish professional engineering services for the Authority as set out herein and will give professional engineering consultation and advice to the Authority in its capacity as the Authority Engineer.

A. SCOPE OF SERVICES.

1. Authorization.

This Agreement does not constitute a commitment by Authority for any specific project. All work performed by Engineer, other than General Engineering Services as described in paragraph 2.a below, shall be pursuant to a specific Job Assignment Proposal applicable to each project, in accordance with this Agreement.

2. Services.

General services as described in paragraph 2.a. shall be considered a General Engineering Services. When requested by the Authority, Engineer shall prepare a Job Assignment Proposal as described in paragraph 2.b. for the Authority's review and approval for a specific project. Engineer shall not be authorized to perform Services, other than General Engineering Services, without first obtaining an executed Job Assignment Proposal.

a. General Engineering Services.

The Authority and Engineer understand and agree that General Engineering Services, such as: attending meetings of the Authority; representing the Authority at meetings and conferences; on-site inspections of facilities; responsive correspondence with regulatory agencies; preparing letters; telephone calls; and other miscellaneous items of work, do not warrant a Job Assignment Proposal. General Engineering Services may be authorized at a Board meeting or by verbal authorization of a designated Board representative. If requested by Engineer, copies of all minutes of meetings at which Engineer was authorized to provide services pursuant to this Agreement will be furnished to Engineer by the Authority at no cost to Engineer.

Engineer shall attend the regular monthly meetings of the Authority unless notified by the President of the Board or the Authority's attorney that attendance is not necessary. Engineer shall notify the Authority or the Authority's attorney if he will be unable to attend a

regular monthly meeting. Engineer shall be compensated as described in Section III herein for preparation for, travel to and from, and attendance at Authority Board meetings.

b. Job Assignment Proposal

(1) Each Job Assignment Proposal shall include:

- a. Description of request or other justification for the Job Assignment Proposal, as appropriate;
- b. Scope of Engineer's work for the job assignment;
- c. Description of support data to be supplied by the Authority, if any;
- d. Basis of compensation;
- e. Budget of estimated fees;
- f. Completion schedule;
- g. Statement that performance of the work will be in accordance with this Agreement;
- h. Proposed project manager or administrator, if applicable;
- i. Special provisions applicable to the Job Assignment Proposal;
- j. Engineer's signature and date;
- k. Approval and signature block for Authority; and
- l. Effective date of Authority's acceptance and date of authorization.

(2) For each Job Assignment Proposal approved and accepted by the Authority, the work shall be pursued to completion, with the Engineer exercising the skill and care in the performance of the work commensurate with the requirements of the civil engineering profession and those persons ordinarily engaged therein, in accordance with that Job Assignment Proposal and the terms of this Agreement.

3. Additional Services.

Engineer further agrees to provide or perform, at the request of the Authority pursuant to a Job Assignment Proposal, and for an additional fee as set out in Exhibit A:

- a. Special studies and analysis relating to the Authority's facilities.
- b. Land surveys and establishment of boundaries and monuments, and related office computations and drafting.
- c. Preparation of property or easement descriptions.
- d. Preparation of any special reports required for marketing of bonds.
- e. Assistance to the Authority as an expert witness in any litigation with third parties arising from the development or construction of the Project.
- f. Special investigations involving detailed consideration of operation, maintenance and overhead expenses; preparation of rate schedules; earnings and expense statements; special feasibility studies; appraisals; valuations; and material audits or inventories required for certification of force account construction performed by the Authority.

- g. Travel and subsistence required of Engineer and authorized by the Authority.
- h. Additional copies of reports, specifications, and additional blue print copies of drawings over five copies.
- i. Preparation of applications and supporting documents for government grants or planning advances for public works projects.
- j. Preparation of environmental statements and assistance to Authority in preparing for and attending public hearings.

II. AUTHORITY'S RESPONSIBILITIES. The Authority, as its expense, shall do the following in a timely manner so as not to delay the Services.

A. INFORMATION/REPORTS. Furnish Engineer with all reports, studies, site characterizations, regulatory orders and similar information in its possession relating to the project. Unless otherwise specified in Part I, Engineer may rely upon Authority-furnished information without independent verification in performing the Services.

B. REPRESENTATIVE. If determined necessary by the Board, designate a Board representative for the project who shall have the authority to transmit instructions, receive information, interpret and define Authority's policies and make decisions with respect to the Services.

C. DECISIONS. Provide all criteria and full information as to the Authority's requirements for the project, attend project-related meetings, provide interim reviews on an agreed upon schedule, and make decisions on project alternatives.

III. COMPENSATION, BILLING, AND PAYMENT. The Authority shall pay Engineer for Services in accordance with the following:

A. GENERAL ENGINEERING SERVICES. The Authority shall pay Engineer for General Engineering Services described in Section I.A.2. in accordance with the Rate Schedule attached hereto as Exhibit "A."

B. REIMBURSABLE EXPENSES. Reproduction, telephone, out-of-town travel expenses and other non-labor charges directly related to a project will be billed at cost in addition to the fees set out in Exhibit "A." Vehicle mileage will be charged at a rate of \$0.40 per mile. Filing fees, permit fees and other special charges, including charges of subcontractors retained by Engineer for Authority projects, which are paid by Engineer on behalf of the Authority will be billed at cost plus a 10% service charge; provided, however, that on any specific project, the Authority may notify the Engineer that the Authority will directly contract with all subcontractors. In that event, Engineer will not be entitled to a 10% service charge.

C. PAYMENTS. Billings for engineering services rendered will be made monthly and the Authority will use its best efforts to make payment within forty-five (45) days of receipt of invoice. Commencing for invoices dated after January 1, 2006, unless special arrangements are made, a finance charge of 1% per month will be added to unpaid balances more than sixty (60) days old. Engineer reserves the right to suspend work should invoices not be paid within the terms stated herein. The amount of any excise, VAT or gross receipts tax

that may be imposed for professional services shall be added to the compensation as determined above.

IV. STANDARD TERMS AND CONDITIONS.

A. STANDARD OF CARE. Engineer's services shall be performed in accordance with the standard of professional practice ordinarily exercised by professional engineers at the time and within the locality where the Services are performed commensurate with the requirements of the civil engineering profession and through persons ordinarily engaged therein. Professional services are not subject to, and Engineer cannot provide, any warranty or guarantee, express or implied, including warranties or guarantees contained in any uniform commercial code. Any such warranties or guarantees contained in any purchase orders, requisitions or notices to proceed issued by the Authority are specifically objected to by Engineer.

B. CHANGE OF SCOPE. The scope of Services set forth in this Agreement is based on facts known at the time of execution of this Agreement, including, if applicable, information supplied by the Authority. For some projects involving conceptual or process development services, the scope may not be fully definable during initial phases. As a project progresses, facts discovered may indicate that the scope must be redefined. Engineer will promptly provide the Authority with an amendment to this Agreement to recognize such change, which amendment shall be subject to review and approval by the Authority.

C. TERMINATION/SUSPENSION. Either party may terminate this Agreement, with or without cause, upon thirty (30) days written notice to the other party. The Authority shall pay Engineer for all Services rendered prior to termination. Copies of all completed or partially completed designs, drawings, specifications, reports or any other document prepared by Engineer pursuant to this Agreement shall be delivered to the Authority within fourteen (14) days of the effective date of termination, at no additional cost to the Authority. In the event either party defaults in its obligations under this Agreement (including Authority's obligation to make the payments required hereunder), the non-defaulting party may suspend performance under this Agreement after seven (7) days written notice stating its intention to suspend performance under the Agreement if cure of such default is not commenced and diligently continued.

D. OPINIONS OF CONSTRUCTION COST. Any opinion of probable construction costs prepared by Engineer is supplied for the general guidance of the Authority only. Since Engineer has no control over competitive bidding or market conditions, Engineer cannot guarantee the accuracy of such opinions as compared to contract bids or actual costs to the Authority.

E. INSURANCE. Engineer will maintain insurance coverage for Professional, Comprehensive General, Automobile, Workers' Compensation, and Employer's liability in amounts in accordance with legal and the Authority's requirements and with the exception of workers compensation and professional liability policies shall name the Authority as an additional insured on all such policies. Certificates evidencing such coverage will be provided to the Authority upon request.

F. INDEMNITY PROVISION. THE FULLEST EXTENT PERMITTED BY LAW, ENGINEER SHALL INDEMNIFY AND SAVE HARMLESS THE AUTHORITY, AND ITS OFFICERS, DIRECTORS, REPRESENTATIVES, SUCCESSORS AND ASSIGNS FROM AND AGAINST LOSS OR LIABILITY, AND FOR ALL DAMAGES SUSTAINED BY THE AUTHORITY, AND ITS OFFICERS, DIRECTORS, REPRESENTATIVES, SUCCESSORS, AND ASSIGNS TO THE EXTENT CAUSED BY THE NEGLIGENT OR WILLFUL MISCONDUCT OF ENGINEER, ITS AGENTS, EMPLOYEES, CONSULTANTS, SUB-CONSULTANTS, CONTRACTORS OR SUBCONTRACTORS OR FAILURE BY ANY OF SAME TO ADHERE TO THE APPLICABLE STANDARD OF CARE .

G. REUSE OF PROJECT DELIVERABLES. Reuse of any documents or other deliverables, including electronic media, pertaining to the Project by the Authority for any purpose other than that for which such documents or deliverables were originally prepared, or alteration of such documents or deliverables without written verification or adoption by Engineer for the specific purpose intended, shall be at the Authority's risk.

H. INDEPENDENT CONTRACTOR. In the performance of work or services herein agreed to, Engineer shall be deemed an independent contractor, and any of its employees performing work required hereunder shall be deemed solely employees of Engineer, or its subcontractors where appropriate.

I. OWNERSHIP OF DOCUMENTS. Original documents, plans, designs, and survey notes belong to, and remain the property of the Authority, provided that Engineer has received full compensation due pursuant to the terms of this Agreement. Engineer may retain reproducible copies of such documents at Engineer's sole cost and expense.

J. ADDRESS OF NOTICE AND COMMUNICATIONS. All notices and communications under this Agreement to be mailed or delivered to the Engineer shall be to the following address:

Brown & Gay Engineers, Inc.
11490 Westheimer, Suite 700
Houston, Texas 77077

Attn: David C. Scholler, P.E.

All notices and communications under this Agreement to be mailed or delivered to the Authority shall be to the following address:

North Fort Bend Water Authority
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, Texas 77027

Attn: Joe B. Allen

K. AMENDMENT. This Agreement, upon execution by both parties hereto, can be amended only by a written instrument signed by both parties.

L. ASSIGNMENT. The rights and obligations of this Agreement cannot be assigned by either party without written permission of the other party. This Agreement shall be binding upon and inure to the benefit of any permitted assigns.

M. NO WAIVER. No waiver by either party or any default by the other party in the performance of any particular section of this Agreement shall invalidate any other section of this Agreement or operate as a waiver of any future default, whether like or different in character.

N. NO THIRD-PARTY BENEFICIARY. Nothing contained in this Agreement, nor the performance of the parties hereunder, is intended to benefit, nor shall inure to the benefit of, any third party, including the Authority's contractors, if any.

O. SEVERABILITY. The various terms, provisions and covenants herein contained shall be deemed to be separate and severable, and the invalidity or unenforceability of any of them shall not affect or impair the validity or enforceability of the remainder.

P. AUTHORITY. The persons signing this Agreement warrant that they have the authority to sign as, or on behalf of, the party for whom they are signing.

NORTH FORT BEND WATER AUTHORITY
By: *Peter Houghton*
Printed Name: Peter Houghton
Title: President
Date: 8/2/05

BROWN & GAY ENGINEERS, INC.
By: *Richard F. Gay*
Printed Name: Richard F. Gay, P.E.
Title: President
Date: 10/5/05

**EXHIBIT A
RATESCHEDULE
FOR CONSULTING ENGINEERING SERVICES**

For the services of the Engineer's staff, the charge will be the Salary Cost times a multiplier of 2.32 for time actually worked on the Project. Salary Cost is defined as a direct labor cost (salaries and wages) of the Engineer's employees so engaged plus 40 percent for social security contributions; unemployment, excise and payroll taxes; employment compensation insurance; retirement benefits; incentive pay; medical and insurance benefits; and sick leave, vacation, and holiday pay. Salary Cost will be computed on an hourly basis. The hourly direct labor cost of an employee compensated upon a salary rather than an hourly basis will be computed as follows: The employee's yearly salary, as of the time of performance of the work on the Project, shall be divided by 2080 to determine an hourly direct labor cost. The charge for the services of the Engineer's officers will be computed as herein described, except that the hourly rate of the officers will not exceed \$250.00 per hour. The overtime premium required by the Fair Labor Standards Act for nonexempt classifications will be charged for overtime hours worked because of the Client's requirements, and upon its specific authorization.

No charges other than operator charges will be billed for utilization of CADD, Microcomputer and plotting equipment in the production of construction drawings.

For outside services, such as making soil borings and performing laboratory tests on soil samples, or retaining special consultants, Authority may, at its option, contract directly with a third party for such services, or through Brown & Gay Engineers, Inc. If such contracts are made through Brown & Gay Engineers, Inc. a handling charge of 10 percent will be added to the net amount of such contracts.

FIRST AMENDMENT TO PROFESSIONAL ENGINEERING SERVICES AGREEMENT

This First Amendment to Professional Engineering Services Agreement (this "Amendment") is by and between North Fort Bend Water Authority (the "Authority") and Brown & Gay Engineers, Inc. ("Engineer") and is effective as of the 1st day of October, 2011 (the "Effective Date").

RECITALS

WHEREAS, the Authority and the Engineer have previously entered into that certain Professional Engineering Services Agreement dated October 5, 2005 (the "Agreement"); and

WHEREAS, the Authority has entered into that certain Joint Facilities Agreement with West Harris County Regional Water Authority, under which the Authority is required to cause certain contractors to agree in writing: (i) to carry liability insurance that names both Authority and West Harris County Regional Water Authority as an "additional insured," and (ii) to defend and indemnify both the Owner and West Harris County Regional Water Authority for the negligence of such contractor;

AGREEMENT

NOW, THEREFORE, for the mutual promises and benefits contained herein, the parties agree as follows:

I. For purposes of this Agreement, the terms "Segment 0, Segment 1A, and the Bellaire Pump Station" shall have the same definition as that provided by the Joint Facilities Agreement for Segment 0, Segment 1A, Bellaire Pump Station, and Second Source Waterline/Pump Stations by and between the Authority and North Fort Bend Regional Water Authority dated July 1, 2011, as amended.

II. Section IV.E. of the Agreement shall be replaced with the following:

The Engineer shall procure and maintain throughout the term of this Agreement, at its sole cost and expense, insurance of the types and in the minimum amounts set forth below. The Engineer shall furnish to the Authority certificates of insurance and any endorsement required hereunder issued by the insurance carrier evidencing compliance with the insurance requirements hereof. Certificates shall list the Engineer, the name of the insurance company, the policy number, the term of coverage, and the limits of coverage. The Engineer shall provide, or cause its insurance companies to provide, the Authority with at least thirty (30) days prior written notice of any reduction in the limit of liability by endorsement of the policy, cancellation, or non-renewal of the insurance

coverage required under this Agreement. The Engineer shall obtain such insurance from such companies having a Bests rating of B+/VII or better, licensed to transact business in the State of Texas, and shall obtain such insurance of the following types and minimum limits:

1. Worker's Compensation insurance in accordance with the laws of the State of Texas, and Employer's Liability coverage with a limit of not less than \$500,000 each employee for Occupational Disease; \$500,000 policy limit for Occupational Disease; and Employer's Liability of \$500,000 each accident.
2. Commercial General Liability insurance, including coverage for Products/Completed Operation, Blanket Contractual, Contractors' Protective Liability Broad Form Property Damage, Personal Injury/Advertising Liability, and Bodily Injury and Property Damage with limits of not less than

\$2,000,000	general aggregate limit
\$1,000,000	each occurrence, combined single limit
\$1,000,000	aggregate Products, combined single limit
\$1,000,000	aggregate Personal Injury/Advertising Liability
3. Business Automobile Liability coverage applying to owned, non-owned and hired automobiles, with limits of not less than \$1,000,000 each occurrence combined single limit for Bodily Injury and Property Damage combined.
4. Umbrella Excess Liability insurance written as excess of Employer's Liability, with limits not less than \$1,000,000 each occurrence combined single limit.
5. Professional Liability insurance with limits not less than \$1,000,000 each claim/annual aggregate.

The Authority and the Authority's agents and employees shall be added as additional insureds to all coverages required under this Agreement, except for worker's compensation insurance and professional liability insurance. All policies written on behalf of the Engineer shall contain a waiver of subrogation in favor of the Authority and the Authority's agents and employees and the Owner, with the exception of professional liability insurance. In addition, all of the aforesaid policies shall be endorsed to provide that they are primary coverages and not in excess of any other insurance available to the Authority, and without rights of contribution or recovery against the Authority or from any such other insurance available to the Authority.

Additionally, West Harris County Regional Water Authority and its agents and employees shall be added as additional insureds to all coverages required above, with respect to Segment 0, Segment 1A, and the Bellaire Pump Station, as defined herein. All such policies written on behalf of the Engineer

shall contain a waiver of subrogation in favor of the West Harris County Regional Water Authority and its agents and employees. In addition, all of the aforesaid policies shall be endorsed to provide that they are primary coverages and not in excess of any other insurance available to the West Harris County Regional Water Authority, and without rights of contribution or recovery against the West Harris County Regional Water Authority or from any such other insurance available to the West Harris County Regional Water Authority.

The Engineer, and not the Authority or any other party, shall be responsible for paying the premiums and deductibles, if any, that may from time to time be due under all of the insurance policies required of the Engineer.

III. Section IV.F. of the Agreement shall be deleted and replaced with the following:

ENGINEER SHALL INDEMNIFY, AND HOLD HARMLESS THE AUTHORITY, ITS DIRECTORS, OFFICERS, EMPLOYEES, AGENTS AND ASSIGNS FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, OR CAUSES OF ACTION (AND ALL LOSSES, LIABILITIES, EXPENSES, AND JUDGMENTS INCURRED IN CONNECTION THEREWITH, INCLUDING BUT NOT LIMITED TO REASONABLE ATTORNEYS' FEES AND EXPENSES, COURT COSTS, AND OTHER EXPENSES INCURRED IN ENFORCING THIS INDEMNITY PROVISION) OR FROM ANY OTHER LOSS OR CLAIM ARISING FROM THIRD PARTY PERSONAL INJURY OR PROPERTY DAMAGE BROUGHT BY ENGINEER OR ANY OF ENGINEER'S EMPLOYEES, DIRECTORS, OFFICERS, AGENTS, OUTSIDE ADVISORY OR SUPPORT CONSULTANTS, OR REPRESENTATIVES, OR BY ANY THIRD PARTY, BUT ONLY TO THE EXTENT BASED UPON, OR IN CONNECTION WITH, RESULTING FROM, OR ARISING OUT OF, THE NEGLIGENT ACTS, ERRORS OR, OMISSIONS, OR MISCONDUCT OF ENGINEER'S EMPLOYEES, DIRECTORS, OFFICERS, AGENTS, OUTSIDE ADVISORY OR SUPPORT CONSULTANTS, OR REPRESENTATIVES, IN THE PERFORMANCE OF PROFESSIONAL SERVICES.

FOR ENGINEER'S NON-PROFESSIONAL NEGLIGENCE, ENGINEER SHALL DEFEND, INDEMNIFY, AND HOLD HARMLESS THE AUTHORITY, ITS DIRECTORS, OFFICERS, EMPLOYEES, AGENTS AND ASSIGNS FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, OR CAUSES OF ACTION (AND ALL LOSSES, LIABILITIES, EXPENSES, AND JUDGMENTS INCURRED IN CONNECTION THEREWITH, INCLUDING BUT NOT LIMITED TO REASONABLE ATTORNEYS' FEES AND EXPENSES, COURT COSTS, AND OTHER EXPENSES INCURRED IN ENFORCING THIS INDEMNITY PROVISION) OR FROM ANY OTHER LOSS OR CLAIM ARISING FROM THIRD PARTY PERSONAL INJURY OR PROPERTY DAMAGE BROUGHT BY ENGINEER OR ANY OF ENGINEER'S

EMPLOYEES, DIRECTORS, OFFICERS, AGENTS, OUTSIDE ADVISORY OR SUPPORT CONSULTANTS, OR REPRESENTATIVES, OR BY ANY THIRD PARTY, BUT ONLY TO THE EXTENT BASED UPON, OR IN CONNECTION WITH, RESULTING FROM, OR ARISING OUT OF, THE NEGLIGENT ACTS, ERRORS OR, OMISSIONS, OR MISCONDUCT OF ENGINEER'S EMPLOYEES, DIRECTORS, OFFICERS, AGENTS, OUTSIDE ADVISORY OR SUPPORT CONSULTANTS, OR REPRESENTATIVES.

ENGINEER SHALL ALSO INDEMNIFY, AND HOLD HARMLESS WEST HARRIS COUNTY REGIONAL WATER AUTHORITY, ITS DIRECTORS, OFFICERS, EMPLOYEES, AGENTS AND ASSIGNS FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, OR CAUSES OF ACTION (AND ALL LOSSES, LIABILITIES, EXPENSES, AND JUDGMENTS INCURRED IN CONNECTION THEREWITH, INCLUDING BUT NOT LIMITED TO REASONABLE ATTORNEYS' FEES AND EXPENSES, COURT COSTS, AND OTHER EXPENSES INCURRED IN ENFORCING THIS INDEMNITY PROVISION) OR FROM ANY OTHER LOSS OR CLAIM ARISING FROM THIRD PARTY PERSONAL INJURY OR PROPERTY DAMAGE BROUGHT BY ENGINEER OR ANY OF ENGINEER'S EMPLOYEES, DIRECTORS, OFFICERS, AGENTS, OUTSIDE ADVISORY OR SUPPORT CONSULTANTS, OR REPRESENTATIVES, OR BY ANY THIRD PARTY, BUT ONLY TO THE EXTENT BASED UPON, OR IN CONNECTION WITH, RESULTING FROM, OR ARISING OUT OF, THE NEGLIGENT ACTS, ERRORS OR, OMISSIONS, OR MISCONDUCT OF ENGINEER'S EMPLOYEES, DIRECTORS, OFFICERS, AGENTS, OUTSIDE ADVISORY OR SUPPORT CONSULTANTS, OR REPRESENTATIVES, IN THE PERFORMANCE OF PROFESSIONAL SERVICES REALTED TO SEGMENT 0, SEGMENT 1A, AND THE BELLAIRE PUMP STATION.

FOR ENGINEER'S NON-PROFESSIONAL NEGLIGENCE, ENGINEER SHALL DEFEND, INDEMNIFY, AND HOLD HARMLESS WEST HARRIS COUNTY REGIONAL WATER AUTHORITY, ITS DIRECTORS, OFFICERS, EMPLOYEES, AGENTS AND ASSIGNS FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, OR CAUSES OF ACTION (AND ALL LOSSES, LIABILITIES, EXPENSES, AND JUDGMENTS INCURRED IN CONNECTION THEREWITH, INCLUDING BUT NOT LIMITED TO REASONABLE ATTORNEYS' FEES AND EXPENSES, COURT COSTS, AND OTHER EXPENSES INCURRED IN ENFORCING THIS INDEMNITY PROVISION) OR FROM ANY OTHER LOSS OR CLAIM ARISING FROM THIRD PARTY PERSONAL INJURY OR PROPERTY DAMAGE BROUGHT BY ENGINEER OR ANY OF ENGINEER'S EMPLOYEES, DIRECTORS, OFFICERS, AGENTS, OUTSIDE ADVISORY OR SUPPORT CONSULTANTS, OR REPRESENTATIVES, OR BY ANY THIRD PARTY, BUT ONLY TO THE EXTENT BASED UPON, OR IN CONNECTION WITH,

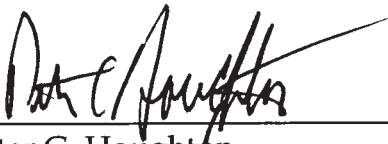
RESULTING FROM, OR ARISING OUT OF, THE NEGLIGENT ACTS, ERRORS OR, OMISSIONS, OR MISCONDUCT OF ENGINEER'S EMPLOYEES, DIRECTORS, OFFICERS, AGENTS, OUTSIDE ADVISORY OR SUPPORT CONSULTANTS, OR REPRESENTATIVES REALTED TO SEGMENT 0, SEGMENT 1A, AND THE BELLAIRE PUMP STATION.

IV. With the amendments herein presented, the Agreement remains in full force and effect. No other changes to the terms and conditions of the Agreement are contemplated by these amendments.

[EXECUTION PAGES FOLLOW]

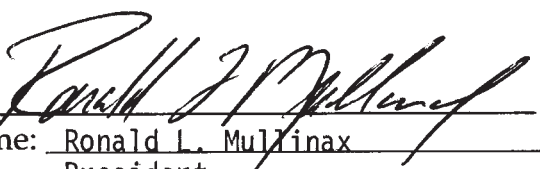
IN WITNESS WHEREOF, the parties hereto have executed this Amendment to be effective on the Effective Date in several counterparts, each of which shall be considered as an original.

NORTH FORT BEND
WATER AUTHORITY

By: 

Peter C. Houghton
President, Board of Directors

BROWN & GAY ENGINEERS, INC.

By: 

Name: Ronald L. Mulanax
Title: President

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

10/24/2011

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER USI Southwest Three Memorial City 840 Gessner, Suite 600 Houston, TX 77024	CONTACT NAME: PHONE (A/C, No, Ext): 713 490-4600		FAX (A/C, No): 713-490-4700
	E-MAIL ADDRESS: PRODUCER CUSTOMER ID #:		
INSURED Brown & Gay Engineers, Inc. 10777 Westheimer, Suite 400 Houston, TX 77042	INSURER(S) AFFORDING COVERAGE		NAIC #
	INSURER A : Phoenix Insurance Company		25623
	INSURER B : St Paul Fire and Marine Insuran		24767
	INSURER C : Hartford Ins Co of the Midwest		37478
	INSURER D : Catlin Insurance Company, Inc.		19518
	INSURER E : Sentinel Insurance Company Ltd.		11000
INSURER F :			

COVERAGES

CERTIFICATE NUMBER:

REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.


INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	6608266M073	12/31/2010	12/31/2011	EACH OCCURRENCE \$1,000,000
	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY						DAMAGE TO RENTED PREMISES (Ea occurrence) \$300,000
	<input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR						MED EXP (Any one person) \$5,000
							PERSONAL & ADV INJURY \$1,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER:						GENERAL AGGREGATE \$2,000,000
	<input type="checkbox"/> POLICY <input checked="" type="checkbox"/> PROJECT <input type="checkbox"/> LOC						PRODUCTS - COMP/OP AGG \$2,000,000
							\$
E	AUTOMOBILE LIABILITY	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	61UUNKO5621	12/31/2010	12/31/2011	COMBINED SINGLE LIMIT (Ea accident) \$1,000,000
	<input checked="" type="checkbox"/> ANY AUTO						BODILY INJURY (Per person) \$
	<input type="checkbox"/> ALL OWNED AUTOS						BODILY INJURY (Per accident) \$
	<input type="checkbox"/> SCHEDULED AUTOS						PROPERTY DAMAGE (Per accident) \$
	<input checked="" type="checkbox"/> HIRED AUTOS						\$
<input checked="" type="checkbox"/> NON-OWNED AUTOS			\$				
							\$
							\$
B	<input checked="" type="checkbox"/> UMBRELLA LIAB	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	QK06503158	12/31/2010	12/31/2011	EACH OCCURRENCE \$10,000,000
	<input type="checkbox"/> EXCESS LIAB	<input type="checkbox"/>	<input type="checkbox"/>				AGGREGATE \$10,000,000
	<input type="checkbox"/> DEDUCTIBLE						\$
	<input checked="" type="checkbox"/> RETENTION \$ 10000						\$
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY		<input checked="" type="checkbox"/>	61WBLO6983	12/31/2010	12/31/2011	<input checked="" type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)	<input checked="" type="checkbox"/> Y <input checked="" type="checkbox"/> N	N/A				E.L. EACH ACCIDENT \$1,000,000
	If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. DISEASE - EA EMPLOYEE \$1,000,000
							E.L. DISEASE - POLICY LIMIT \$1,000,000
D	Professional Liab Claims Made		<input checked="" type="checkbox"/>	AED1975380912 \$100k Deductible	09/01/2011 Retro Date 02/01/1975	09/01/2012	\$2,000,000 per claim
							\$4,000,000 annl aggr.

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

Waiver of Subrogation (all policies) and Additional Insured (all policies except Work Comp and Professional Liability) is provided in favor of North Fort Bend Water Authority, its agents and employees and West (See Attached Descriptions)

CERTIFICATE HOLDER

CANCELLATION

North Fort Bend Water Authority c/o AVANTA Services 5635 Northwest Central Dr., Suite 104E Houston, TX 77092	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE 
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DESCRIPTIONS (Continued from Page 1)

Harris

County Regional Water Authority, its agents and employees as required by written contract, but limited to the operations of the Named Insured. All policies apply on a primary and non-contributory basis to the insurance available to the Additional Insured as required by written contract. A specific 30-day Notice of Cancellation applies to the listed policies.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

COMMERCIAL AUTOMOBILE BROAD FORM ENDORSEMENT

This endorsement modifies insurance provided under the following:

BUSINESS AUTO COVERAGE FORM

To the extent that the provisions of this endorsement provide broader benefits to the "insured" than other provisions of the Coverage Form, the provisions of this endorsement apply.

1. BROAD FORM INSURED

A. Subsidiaries and Newly Acquired or Formed Organizations

The Named Insured shown in the Declarations is amended to include:

- (1) Any legally incorporated subsidiary in which you own more than 50% of the voting stock on the effective date of the Coverage Form. However, the Named Insured does not include any subsidiary that is an "insured" under any other automobile policy or would be an "insured" under such a policy but for its termination or the exhaustion of its Limit of Insurance.
- (2) Any organization that is acquired or formed by you and over which you maintain majority ownership. However, the Named Insured does not include any newly formed or acquired organization:
 - (a) That is a partnership, joint venture or limited liability company
 - (b) That is an "insured" under any other policy,
 - (c) That has exhausted its Limit of Insurance under any other policy, or
 - (d) 180 days or more after its acquisition or formation by you, unless you have given us notice of the acquisition or formation.

Coverage does not apply to "bodily injury" or "property damage" that results from an "accident" that occurred before you formed or acquired the organization.

B. Employees as Insureds

Paragraph A.1. - WHO IS AN INSURED - of SECTION II - LIABILITY COVERAGE is amended to add:

- d. Any "employee" of yours while using a covered "auto" you don't own, hire or borrow in your business or your personal affairs.

C. Lessors as Insureds

Paragraph A.1. - WHO IS AN INSURED - of Section II - Liability Coverage is amended to add:

- e. The lessor of a covered "auto" while the "auto" is leased to you under a written agreement if:
 - (1) The agreement requires you to provide direct primary insurance for the lessor and
 - (2) The "auto" is leased without a driver.

Such a leased "auto" will be considered a covered "auto" you own and not a covered "auto" you hire.

2. AUTOS RENTED BY EMPLOYEES

Any "auto" hired or rented by your "employee" on your behalf and at your direction will be considered an "auto" you hire.

The OTHER INSURANCE Condition is amended by adding the following:

If an "employee's" personal insurance also applies on an excess basis to a covered "auto" hired or rented by your "employee" on your behalf and at your direction, this insurance will be primary to the "employee's" personal insurance.

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11. TWO OR MORE DEDUCTIBLES

Under Paragraph D. - DEDUCTIBLE - of SECTION III - PHYSICAL DAMAGE COVERAGE, the following is added:

If another Hartford Financial Services Group, Inc. company policy or coverage form that is not an automobile policy or coverage form applies to the same "accident", the following applies:

- (1) If the deductible under this Business Auto Coverage Form is the smaller (or smallest) deductible, it will be waived;
- (2) If the deductible under this Business Auto Coverage Form is not the smaller (or smallest) deductible, it will be reduced by the amount of the smaller (or smallest) deductible.

12. AMENDED DUTIES IN THE EVENT OF ACCIDENT, CLAIM, SUIT OR LOSS

The requirement in LOSS CONDITIONS 2.a. - DUTIES IN THE EVENT OF ACCIDENT, CLAIM, SUIT OR LOSS - of SECTION IV - BUSINESS AUTO CONDITIONS that you must notify us of an "accident" applies only when the "accident" is known to:

- (1) You, if you are an individual;
- (2) A partner, if you are a partnership;
- (3) A member, if you are a limited liability company; or
- (4) An executive officer or insurance manager, if you are a corporation.

13. UNINTENTIONAL FAILURE TO DISCLOSE HAZARDS

If you unintentionally fail to disclose any hazards existing at the inception date of your policy, we will not deny coverage under this Coverage Form because of such failure.

14. HIRED AUTO - COVERAGE TERRITORY

Paragraph e. of GENERAL CONDITIONS 7. - POLICY PERIOD, COVERAGE TERRITORY - of SECTION IV - BUSINESS AUTO CONDITIONS is replaced by the following:

- e. For short-term hired "autos", the coverage territory with respect to Liability Coverage is anywhere in the world provided that if the "insured's" responsibility to pay damages for "bodily injury" or "property damage" is determined in a "suit," the "suit" is brought in the United States of America, the territories and possessions of the United States of America, Puerto Rico or Canada or in a settlement we agree to.

15. WAIVER OF SUBROGATION

TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US - of SECTION IV - BUSINESS AUTO CONDITIONS is amended by adding the following:

We waive any right of recovery we may have against any person or organization with whom you have a written contract that requires such waiver because of payments we make for damages under this Coverage Form.

16. RESULTANT MENTAL ANGUISH COVERAGE

The definition of "bodily injury" in SECTION V-DEFINITIONS is replaced by the following:

"Bodily injury" means bodily injury, sickness or disease sustained by any person, including mental anguish or death resulting from any of these.

17. EXTENDED CANCELLATION CONDITION

Paragraph 2. of the COMMON POLICY CONDITIONS - CANCELLATION - applies except as follows:

If we cancel for any reason other than nonpayment of premium, we will mail or deliver to the first Named Insured written notice of cancellation at least 60 days before the effective date of cancellation.

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ARCHITECTS, ENGINEERS AND SURVEYORS XTEND ENDORSEMENT

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

GENERAL DESCRIPTION OF COVERAGE Provisions A. – T. and V. of this endorsement broaden coverage. Provisions U. and W. of this endorsement may limit coverage. The following listing is a general coverage description only. Limitations and exclusions may apply to these coverages. Read all the **PROVISIONS** of this endorsement carefully to determine rights, duties, and what is and is not covered.

- | | |
|---|--|
| <ul style="list-style-type: none"> A. Broadened Named Insured B. Incidental Medical Malpractice C. Reasonable Force – Bodily Injury Or Property Damage D. Non-Owned Watercraft – Increased To Up To 75 feet E. Aircraft Chartered With Crew F. Extension Of Coverage – Damage To Premises Rented To You G. Malicious Prosecution – Exception To Knowing Violation Of Rights Of Another Exclusion H. Medical Payments Limit I. Increased Supplementary Payments J. Additional Insured – Owner, Manager Or Lessor Of Premises K. Additional Insured – Lessor Of Leased Equipment L. Additional Insured – State Or Political Subdivisions – Permits Relating To Premises M. Additional Insured – State Or Political Subdivisions – Permits Relating To Operations | <ul style="list-style-type: none"> N. Additional Insured – Architect, Engineer Or Surveyor O. Who Is An Insured – Newly Acquired Or Formed Organizations P. Who Is An Insured – Unnamed Partnership Or Joint Venture – Excess Q. Per Project General Aggregate Limit R. Knowledge And Notice Of Occurrence Or Offense S. Unintentional Omission T. Waiver Of Transfer Of Rights Of Recovery Against Others To Us When Required By Contract Or Agreement U. Amended Bodily Injury Definition V. Amended Insured Contract Definition – Railroad Easement W. Amended Property Damage Definition – Tangible Property X. Additional Definition – Contract or Agreement Requiring Insurance |
|---|--|

PROVISIONS

A. BROADENED NAMED INSURED

1. The Named Insured in Item 1. of the Common Policy Declarations is amended as follows:

The person or organization named in Item 1. of the Common Policy Declarations and any organization, other than a partnership, joint venture, limited liability company or trust, of which you are the sole owner or in which you maintain the majority ownership interest on the effective date of the policy. However,

coverage for any such additional organization will cease as of the date, if any, during the policy period, that you no longer are the sole owner of, or maintain the majority ownership interest in, such organization.

2. This Provision A. does not apply to any person or organization for which coverage is excluded by another endorsement to this Coverage Part.

B. INCIDENTAL MEDICAL MALPRACTICE

1. The following is added to Paragraph 1. **Insuring Agreement** of **COVERAGE A BODILY**

INJURY AND PROPERTY DAMAGE LIABILITY in COVERAGES (Section I):

"Bodily injury" arising out of the rendering of, or failure to render, "first aid" or "Good Samaritan services" to a person, other than a co-"employee" or "volunteer worker", will be deemed to be caused by an "occurrence". For the purposes of determining the applicable limits of insurance, any act or omission together with all related acts or omissions in the furnishing of the services to any one person will be deemed one "occurrence".

2. As used in this Provision B.:
 - a. "First aid" means medical or nursing service, treatment, advice or instruction; the related furnishing of food or beverages; the furnishing or dispensing of drugs or medical supplies or appliances;
 - b. "Good Samaritan services" means those medical services rendered or provided in an emergency and for which no remuneration is demanded or received.
3. Paragraph 2.a.(1)(d) of **WHO IS AN INSURED (Section II)** does not apply to any of your "employees", who are not employed as a doctor or nurse by you, but only while performing the services described in Paragraph 1. above and while acting within the scope of their employment by you. Any such "employees" rendering "Good Samaritan services" will be deemed to be acting within the scope of their employment by you.
4. The following exclusion is added to Paragraph 2. **Exclusions of COVERAGE A BODILY INJURY AND PROPERTY DAMAGE LIABILITY in COVERAGES (Section I):**

Sale of Pharmaceuticals

"Bodily injury" or "property damage" arising out of the willful violation of a penal statute or ordinance relating to the sale of pharmaceuticals committed by or with the knowledge or consent of the insured.
5. The insurance provided by this Provision B. shall be excess over any valid and collectible other insurance available to the insured, whether primary, excess, contingent or on any other basis, except for insurance purchased specifically by you to apply in excess of the Limits of Insurance shown in the Declarations for this Coverage Part.

C. REASONABLE FORCE – BODILY INJURY OR PROPERTY DAMAGE

The **Expected Or Intended Injury** Exclusion in Paragraph 2. **Exclusions of COVERAGE A BODILY INJURY AND PROPERTY DAMAGE LIABILITY in COVERAGES (Section I)** is deleted and replaced by the following:

Expected Or Intended Injury Or Damage

"Bodily injury" or "property damage" expected or intended from the standpoint of the insured. This exclusion does not apply to "bodily injury" or "property damage" resulting from the use of reasonable force to protect any person or property.

D. NON-OWNED WATERCRAFT – INCREASED TO UP TO 75 FEET

1. The exception contained in Subparagraph (2) of the **Aircraft, Auto Or Watercraft** Exclusion in 2. **Exclusions of COVERAGE A BODILY INJURY AND PROPERTY DAMAGE LIABILITY in COVERAGES (Section I)** is deleted and replaced by the following:
 - (2) A watercraft you do not own that is:
 - (a) Less than 75 feet long; and
 - (b) Not being used to carry persons or property for a charge;
2. Only as respects the insurance provided by this Provision D., **WHO IS AN INSURED (Section II)** is amended to include as an insured any person who, with your expressed or implied consent, either uses or is responsible for the use of the watercraft.
3. The insurance provided by this Provision D. shall be excess over any valid and collectible other insurance available to the insured, whether primary, excess, contingent or on any other basis, except for insurance purchased specifically by you to apply in excess of the Limits of Insurance shown in the Declarations for this Coverage Part.

E. AIRCRAFT CHARTERED WITH CREW

1. The following is added to the exceptions contained in the **Aircraft, Auto Or Watercraft** Exclusion in Paragraph 2. **Exclusions of COVERAGE A BODILY INJURY AND PROPERTY DAMAGE LIABILITY in COVERAGES (Section I):**

Aircraft chartered with crew, including a pilot, to any insured.

2. This Provision E. does not apply if the chartered aircraft is owned by any insured.
3. The insurance provided by this Provision E. shall be excess over any valid and collectible other insurance available to the insured, whether primary, excess, contingent or on any other basis, except for insurance purchased specifically by you to apply in excess of the Limits of Insurance shown in the Declarations for this Coverage Part.

F. EXTENSION OF COVERAGE – DAMAGE TO PREMISES RENTED TO YOU

1. The last paragraph of **COVERAGE A BODILY INJURY AND PROPERTY DAMAGE LIABILITY** in **COVERAGES (Section I)** is deleted and replaced by the following:

Exclusions c. through n. do not apply to damage to premises while rented to you, or temporarily occupied by you with permission of the owner, caused by:

- a. Fire;
- b. Explosion;
- c. Lightning;
- d. Smoke resulting from such fire, explosion, or lightning; or
- e. Water.

A separate limit of insurance applies to this coverage as described in **LIMITS OF INSURANCE (Section III)**.

2. The insurance under this Provision F. does not apply to damage to premises while rented to you, or temporarily occupied by you with permission of the owner, caused by:
 - a. Rupture, bursting, or operation of pressure relief devices;
 - b. Rupture or bursting due to expansion or swelling of the contents of any building or structure, caused by or resulting from water; or
 - c. Explosion of steam boilers, steam pipes, steam engines, or steam turbines.
3. Paragraph 6. of **LIMITS OF INSURANCE (Section III)** is deleted and replaced by the following:

Subject to 5. above, the Damage To Premises Rented To You Limit is the most we will pay under Coverage A for the sum of all damages because of "property damage" to

any one premises while rented to you, or temporarily occupied by you with permission of the owner, caused by: fire; explosion; lightning; smoke resulting from such fire, explosion, or lightning; or water. The Damage To Premises Rented To You Limit will apply to all "property damage" proximately caused by the same "occurrence", whether such damage results from: fire; explosion; lightning; smoke resulting from such fire, explosion, or lightning; or water; or any combination of any of these causes.

The Damage To Premises Rented To You Limit will be the higher of:

- a. \$1,000,000; or
- b. The amount shown for the Damage To Premises Rented To You Limit in the Declarations for this Coverage Part.

4. Paragraph a. of the definition of "insured contract" in **DEFINITIONS (Section V)** is deleted and replaced by the following:

a. A contract for a lease of premises. However, that portion of the contract for a lease of premises that indemnifies any person or organization for damage to premises while rented to you, or temporarily occupied by you with permission of the owner, caused by: fire; explosion; lightning; smoke resulting from such fire, explosion, or lightning; or water is not an "insured contract";

5. This Provision F. does not apply if coverage for Damage To Premises Rented To You of **COVERAGE A BODILY INJURY AND PROPERTY DAMAGE LIABILITY** in **COVERAGES (Section I)** is excluded by another endorsement to this Coverage Part.

G. MALICIOUS PROSECUTION – EXCEPTION TO KNOWING VIOLATION OF RIGHTS OF ANOTHER EXCLUSION

The following is added to the **Knowing Violation Of Rights Of Another Exclusion** in 2. Exclusions of **COVERAGE B PERSONAL INJURY, ADVERTISING INJURY AND WEB SITE INJURY LIABILITY** of the **WEB XTEND LIABILITY Endorsement**:

This exclusion does not apply to "personal injury" caused by malicious prosecution.

COMMERCIAL GENERAL LIABILITY

H. MEDICAL PAYMENTS LIMIT

The Medical Expense Limit shown in the Declarations for this Coverage Part is increased to \$10,000.

I. INCREASED SUPPLEMENTARY PAYMENTS

Paragraphs 1.b. and 1.d. of **SUPPLEMENTARY PAYMENTS – COVERAGES A AND B in COVERAGES (Section I)** are amended as follows:

1. In Paragraph 1.b., the amount we will pay for the cost of bail bonds is increased to \$2500.
2. In Paragraph 1.d., the amount we will pay for loss of earnings is increased to \$500 a day.

J. ADDITIONAL INSURED – OWNER, MANAGER OR LESSOR OF PREMISES

1. **WHO IS AN INSURED (Section II)** is amended to include as an insured:

Any person or organization that you have agreed in a contract or agreement to include as an additional insured on this Coverage Part, but:

- a. Only with respect to liability for "bodily injury" or "property damage" that occurs, or "personal injury" caused by an offense committed, after you have entered into that contract or agreement; and
 - b. Only if the "bodily injury", "property damage" or "personal injury" is caused, in whole or in part, by acts or omissions of you or any person or organization performing operations on your behalf, and arises out of the ownership, maintenance or use of that part of any premises leased to you under that contract or agreement.
2. The insurance provided to such additional insured under this Provision J. is subject to the following provisions:
 - a. The limits of insurance afforded to such additional insured shall be the limits which you agreed to provide in the contract or agreement, or the limits shown in the Declarations for this Coverage Part, whichever are less; and
 - b. The insurance afforded to such additional insured does not apply to:
 - (1) Any "bodily injury" or "property damage" that occurs, or "personal injury" caused by an offense committed, after you cease to be a tenant in that premises;

- (2) Any structural alterations, new construction or demolition operations performed by or on behalf of such additional insured; or

- (3) Any premises for which coverage is excluded by another endorsement to this Coverage Part.

3. This Provision J. does not apply on any basis to any person or organization for which coverage as an additional insured specifically is added by another endorsement to this Coverage Part.

K. ADDITIONAL INSURED – LESSOR OF LEASED EQUIPMENT

1. **WHO IS AN INSURED (Section II)** is amended to include as an insured:

Any person or organization that you have agreed in a contract or agreement to include as an additional insured on this Coverage Part, but:

- a. Only with respect to liability for "bodily injury" or "property damage" that occurs, or "personal injury" caused by an offense committed, after you have entered into that contract or agreement; and
 - b. Only if the "bodily injury", "property damage" or "personal injury" is caused, in whole or in part, by acts or omissions of you or any person or organization performing operations on your behalf, in the maintenance, operation or use of equipment leased to you by such additional insured.
2. The insurance provided to such additional insured under this Provision K. is subject to the following provisions:
 - a. The limits of insurance afforded to such additional insured shall be the limits which you agreed to provide in the contract or agreement, or the limits shown in the Declarations for this Coverage Part, whichever are less; and
 - b. The insurance afforded to such additional insured does not apply:
 - (1) To any "bodily injury" or "property damage" that occurs, or "personal injury" caused by an offense committed, after the equipment lease expires; or

(2) If the equipment is leased with an operator.

3. This Provision K. does not apply on any basis to any person or organization for which coverage as an additional insured specifically is added by another endorsement to this Coverage Part.

L. ADDITIONAL INSURED – STATE OR POLITICAL SUBDIVISIONS – PERMITS RELATING TO PREMISES

The following is added to Paragraph 2. of **WHO IS AN INSURED (Section II)** to include as an insured:

Any state or political subdivision that has issued a permit in connection with premises owned or occupied by, or rented or loaned to, you, but only with respect to "bodily injury", "property damage", "personal injury" or "advertising injury" arising out of the existence, ownership, use, maintenance, repair, construction, erection or removal of advertising signs, awnings, canopies, cellar entrances, coal holes, driveways, manholes, marquees, hoist away openings, sidewalk vaults, elevators, street banners or decorations for which that state or political subdivision has issued such permit.

M. ADDITIONAL INSURED – STATE OR POLITICAL SUBDIVISIONS – PERMITS RELATING TO OPERATIONS

The following is added to Paragraph 2. of **WHO IS AN INSURED (Section II)** to include as an insured:

Any state or political subdivision that has issued a permit, but only with respect to "bodily injury", "property damage", "personal injury" or "advertising injury" arising out of operations performed by you or on your behalf for which that state or political subdivision has issued such permit. However, no such state or political subdivision is an insured for:

1. "Bodily injury", "property damage", "personal injury" or "advertising injury" arising out of operations performed for that state or political subdivision; or
2. "Bodily injury" or "property damage" included within the "products – completed operations hazard".

N. ADDITIONAL INSURED – ARCHITECT, ENGINEER OR SURVEYOR

1. The following is added to Paragraph 2. of **WHO IS AN INSURED (Section II)** to include as an insured:

Any architect, engineer or surveyor engaged by or for you that you agree in a "contract or agreement requiring insurance" to include as an additional insured on this Coverage Part, but only with respect to liability for "bodily injury", "property damage" or "personal injury" that is caused, in whole or in part, by acts or omissions of you or any person or organization acting on your behalf in connection with your premises or "your work".

2. This Provision N. does not apply on any basis to any person or organization for which coverage as an additional insured specifically is added by another endorsement to this Coverage Part.

O. WHO IS AN INSURED – NEWLY ACQUIRED OR FORMED ORGANIZATIONS

1. Paragraph 4.a. of **WHO IS AN INSURED (Section II)** is deleted and replaced by the following:

a. Coverage under this provision is afforded only until the 180th day after you acquire or form the organization or the end of the policy period, whichever is earlier. Any such newly acquired or formed organization that you report in writing to us within 180 days after you acquire or form the organization will be covered under this provision until the end of the policy period, even if there are more than 180 days remaining until the end of the policy period;

2. This Provision O. does not apply to any organization for which coverage is excluded by another endorsement to this Coverage Part.

P. WHO IS AN INSURED – UNNAMED PARTNERSHIP OR JOINT VENTURE – EXCESS

1. The last paragraph of **WHO IS AN INSURED (Section II)** is deleted and replaced by the following:

No person or organization is an insured with respect to the conduct of any current or past partnership, joint venture or limited liability company that is not shown as a Named Insured in the Common Policy Declarations.

However, this exclusion does not apply to your liability with respect to your conduct of the business of any current or past partnership or joint venture:

- a. That is not shown as a Named Insured in the Common Policy Declarations, and
 - b. In which you are a member or partner where each and every one of your co-ventures in that joint venture is an architectural, engineering, or surveying firm.
2. This Provision P. does not apply to any person or organization for which coverage is excluded by another endorsement to this Coverage Part.
 3. The insurance provided by this Provision P. shall be excess over any valid and collectible other insurance, whether primary, excess, contingent or on any other basis, which is available covering your liability with respect to your conduct of the business of any current or past partnership or joint venture that is not shown as a Named Insured in the Common Policy Declarations and which is issued to such partnership or joint venture.

Q. PER PROJECT GENERAL AGGREGATE LIMIT

1. Paragraph 2. of **LIMITS OF INSURANCE (Section III)** is deleted and replaced by the following:

The General Aggregate Limit is the most we will pay for the sum of:

- a. Damages under Coverage B; and
 - b. Damages from "occurrences" under Coverage A and for all medical expenses caused by accidents under Coverage C which cannot be attributed only to operations at a single "project".
2. The following is added to **LIMITS OF INSURANCE (Section III)**:

A separate Per Project General Aggregate Limit applies to each "project" for all sums which the insured becomes legally obligated to pay as damages caused by "occurrences" under Coverage A and for all medical expenses caused by accidents under Coverage C which can be attributed only to operations at a single "project", and that limit is equal to the amount of the General Aggregate Limit shown in the Declarations for this Coverage Part.

Any payments made under Coverage A for damages and under Coverage C for medical expenses shall reduce the Per Project General Aggregate Limit for that "project", but shall not reduce:

- a. Any other Per Project General Aggregate Limit for any other "project";
- b. The General Aggregate Limit; or
- c. The Products-Completed Operations Aggregate Limit.

The limits shown in the Declarations for this Coverage Part for Each Occurrence, Damage To Premises Rented To You and Medical Expense are also subject to the Per Project General Aggregate Limit when the Per Project General Aggregate Limit applies.

3. As used in the Provision Q.:

"Project" means an area away from premises owned by or rented to you at which you are performing operations pursuant to a contract or agreement. For the purposes of determining the applicable aggregate limit of insurance, each "project" that includes premises involving the same or connecting lots, or premises whose connection is interrupted only by a street, roadway, waterway or right-of-way of a railroad shall be considered a single "project".

R. KNOWLEDGE AND NOTICE OF OCCURRENCE OR OFFENSE

The following is added to Paragraph 2. **Duties In The Event of Occurrence, Offense, Claim Or Suit of COMMERCIAL GENERAL LIABILITY CONDITIONS (Section IV)**:

Notice of an "occurrence" or of an offense which may result in a claim must be given as soon as practicable after knowledge of the "occurrence" or offense has been reported to you, one of your "executive officers" (if you are a corporation), one of your partners who is an individual (if you are a partnership), one of your managers (if you are a limited liability company), one of your trustees who is an individual (if you are a trust), or an "employee" (such as an insurance, loss control or risk manager or administrator) designated by you to give such notice.

Knowledge by any other "employee" of an "occurrence" or offense does not imply that you also have such knowledge.

Notice of an "occurrence" or of an offense which may result in a claim will be deemed to be given as soon as practicable to us if it is given in good faith as soon as practicable to your workers' compensation, accident, or health insurer. This applies only if you subsequently give notice of the "occurrence" or offense to us as soon as practicable after you, one of your "executive officers" (if you are a corporation), one of your partners who is an individual (if you are a partnership), one of your managers (if you are a limited liability company), one of your trustees who is an individual (if you are a trust), or an "employee" (such as an insurance, loss control or risk manager or administrator) designated by you to give such notice discovers that the "occurrence" or offense may involve this policy.

S. UNINTENTIONAL OMISSION

1. The following is added to Paragraph 6. **Representations of COMMERCIAL GENERAL LIABILITY CONDITIONS (Section IV):**

The unintentional omission of, or unintentional error in, any information provided by you which we relied upon in issuing this policy shall not prejudice your rights under this insurance.

2. This Provision **S.** does not affect our right to collect additional premium or to exercise our right of cancellation or nonrenewal in accordance with applicable insurance laws or regulations.

T. WAIVER OF TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US WHEN REQUIRED BY CONTRACT OR AGREEMENT

The following is added to Paragraph 8. **Transfer of Rights of Recovery Against Others to Us of COMMERCIAL GENERAL LIABILITY CONDITIONS (Section IV):**

We waive any rights of recovery we may have against any person or organization because of payments we make for "bodily injury", "property damage", "personal injury" or "advertising injury" arising out of:

1. Premises owned by you, temporarily occupied by you with permission of the owner, or leased or rented to you;
2. Ongoing operations performed by you, or on your behalf, under a contract or agreement with that person or organization;
3. "Your work"; or

4. "Your products".

We waive these rights only where you have agreed to do so as part of a contract or agreement entered into by you before, and in effect when, the "bodily injury" or "property damage" occurs, or the "personal injury" offense or "advertising injury" offense is committed.

U. AMENDED BODILY INJURY DEFINITION

The definition of "bodily injury" in **DEFINITIONS (Section V)** is deleted and replaced by the following:

"Bodily injury" means:

- a. Physical harm, including sickness or disease, sustained by a person;
- b. Mental anguish, injury or illness, or emotional distress, resulting at any time from such physical harm, sickness or disease; or
- c. Care, loss of services or death resulting at any time from such physical harm, sickness or disease.

V. AMENDED INSURED CONTRACT DEFINITION – RAILROAD EASEMENT

1. Subparagraph **c.** of the definition of "insured contract" in **DEFINITIONS (Section V)** is deleted and replaced by the following:

- c. Any easement or license agreement;

2. Subparagraph **f.(1)** of the definition of "insured contract" in **DEFINITIONS (Section V)** is deleted.

W. AMENDED PROPERTY DAMAGE DEFINITION – TANGIBLE PROPERTY

The definition of "property damage" in **DEFINITIONS (Section V)** is deleted and replaced by the following:

"Property damage" means:

- a. Physical injury to tangible property, including all resulting loss of use of that property. All such loss of use shall be deemed to occur at the time of the physical injury that caused it; or
- b. Loss of use of tangible property that is not physically injured. All such loss of use shall be deemed to occur at the time of the "occurrence" that caused it.

For the purposes of this insurance, tangible property does not include data.

COMMERCIAL GENERAL LIABILITY

X. The following definition is added to **SECTION V – DEFINITIONS**:

"Contract or agreement requiring insurance" means that part of any contract or agreement under which you are required to include a person or organization as an additional insured on this Coverage Part, provided that the "bodily injury"

and "property damage" occurs, and the "personal injury" is caused by an offense committed:

- a. After you have entered into that contract or agreement;
- b. While that part of the contract or agreement is in effect; and
- c. Before the end of the policy period.



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED AND RIGHTS OF RECOVERY AGAINST OTHERS

This endorsement modifies insurance provided under the following:

BUSINESS AUTO COVERAGE FORM

- A. Any person or organization whom you are required by contract to name as additional insured is an "insured" for LIABILITY COVERAGE but only to the extent that person or organization qualifies as an "insured" under the WHO IS AN INSURED provision of Section II - LIABILITY COVERAGE.
- B. For any person or organization for whom you are required by contract to provide a waiver of subrogation, the Loss Condition - TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US is applicable.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

BLANKET ADDITIONAL INSURED (ARCHITECTS, ENGINEERS AND SURVEYORS)

This endorsement modifies insurance provided under the following:
COMMERCIAL GENERAL LIABILITY COVERAGE PART

A. The following is added to WHO IS AN INSURED (Section II):

Any person or organization that you agree in a "contract or agreement requiring insurance" to include as an additional insured on this Coverage Part, but only with respect to liability for "bodily injury", "property damage" or "personal injury" caused, in whole or in part, by your acts or omissions or the acts or omissions of those acting on your behalf:

- a. In the performance of your ongoing operations;
- b. In connection with premises owned by or rented to you; or
- c. In connection with "your work" and included within the "products-completed operations hazard".

Such person or organization does not qualify as an additional insured for "bodily injury", "property damage" or "personal injury" for which that person or organization has assumed liability in a contract or agreement.

The insurance provided to such additional insured is limited as follows:

- d. This insurance does not apply on any basis to any person or organization for which coverage as an additional insured specifically is added by another endorsement to this Coverage Part.
- e. This insurance does not apply to the rendering of or failure to render any "professional services".
- f. The limits of insurance afforded to the additional insured shall be the limits which you agreed in that "contract or agreement requiring insurance" to provide for that additional insured, or the limits shown in the Declarations for this Coverage Part, whichever are less. This endorsement does not increase the limits of insurance stated in the **LIMITS OF**

INSURANCE (Section III) for this Coverage Part.

B. The following is added to Paragraph a. of 4. Other Insurance in COMMERCIAL GENERAL LIABILITY CONDITIONS (Section IV):

However, if you specifically agree in a "contract or agreement requiring insurance" that the insurance provided to an additional insured under this Coverage Part must apply on a primary basis, or a primary and non-contributory basis, this insurance is primary to other insurance that is available to such additional insured which covers such additional insured as a named insured, and we will not share with the other insurance, provided that:

- (1) The "bodily injury" or "property damage" for which coverage is sought occurs; and
- (2) The "personal injury" for which coverage is sought arises out of an offense committed;

after you have entered into that "contract or agreement requiring insurance". But this insurance still is excess over valid and collectible other insurance, whether primary, excess, contingent or on any other basis, that is available to the insured when the insured is an additional insured under any other insurance.

C. The following is added to Paragraph 8. Transfer Of Rights Of Recovery Against Others To Us in COMMERCIAL GENERAL LIABILITY CONDITIONS (Section IV):

We waive any rights of recovery we may have against any person or organization because of payments we make for "bodily injury", "property damage" or "personal injury" arising out of "your work" performed by you, or on your behalf, under a "contract or agreement requiring insurance" with that person or organization. We waive these rights only where you have agreed to do so as part of the "contract or agreement requiring insurance" with such person or organization entered into by you before, and in effect when, the "bodily

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COMMERICAL GENERAL LIABILITY

injury" or "property damage" occurs, or the "personal injury" offense is committed.

D. The following definition is added to DEFINITIONS (Section V):

"Contract or agreement requiring insurance" means that part of any contract or agreement under which you are required to include a person or organization as an additional insured on this Cov-

erage Part, provided that the "bodily injury" and "property damage" occurs, and the "personal injury" is caused by an offense committed:

- a. After you have entered into that contract or agreement;
- b. While that part of the contract or agreement is in effect; and
- c. Before the end of the policy period.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

OTHER INSURANCE – ADDITIONAL INSURED

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

PROVISIONS

COMMERCIAL GENERAL LIABILITY CONDITIONS (Section IV), Paragraph 4. (**Other Insurance**), is amended as follows:

1. The following is added to Paragraph a. **Primary Insurance**:

However, if you specifically agree in a written contract or written agreement that the insurance provided to an additional insured under this Coverage Part must apply on a primary basis, or a primary and non-contributory basis, this insurance is primary to other insurance that is available to such additional insured which covers such additional insured as a named insured, and we will not share with that other insurance, provided that:

- a. The "bodily injury" or "property damage" for which coverage is sought occurs; and

- b. The "personal injury" or "advertising injury" for which coverage is sought arises out of an offense committed

subsequent to the signing and execution of that contract or agreement by you.

2. The first Subparagraph (2) of Paragraph b. **Excess Insurance** regarding any other primary insurance available to you is deleted.

3. The following is added to Paragraph b. **Excess Insurance**, as an additional subparagraph under Subparagraph (1):

That is available to the insured when the insured is added as an additional insured under any other policy, including any umbrella or excess policy.

ALLEN BOONE HUMPHRIES ROBINSON LLP

ATTORNEYS AT LAW

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doliver@abhr.com

David Oliver
Partner

May 27, 2015

Board of Directors
North Fort Bend Water Authority

Dear Board of Directors:

We appreciate the opportunity to represent the North Fort Bend Water Authority as its legal counsel. Our experience has been that it is mutually beneficial to set forth the role and responsibilities of both our law firm and the client. That is the purpose of both this letter and the separate Standard Terms of Engagement for Legal Services that is enclosed with this letter. This engagement letter replaces our engagement letter dated August 2, 2005.

Client

The client for this engagement is North Fort Bend Water Authority (the "Authority"). This engagement does not create an attorney client relationship with any related persons or entities, such as parents, subsidiaries, affiliates, employees, officers, directors, shareholders, or partners.

Scope of Engagement-General Representation of Authority

We will serve as general counsel for the Authority. Our work in connection with this representation will include, but will not be limited to, preparing documents and agenda items for the meetings of the Board of Directors of the Authority, reviewing minutes of those meetings, preparing various resolutions and orders to be adopted by the Board of Directors of the Authority, calling and canvassing any elections to be held, preparing various legal notices required to be given, and maintaining files and records of the Authority required by the Public Information Act. We also will represent the Authority, when authorized by the Board of Directors, in securing approvals from city and county authorities, contract negotiation and preparation, application for permits,

litigation not involving the adverse interests of other clients, and other legal services that the Authority may require from time to time.

Scope of Engagement-Bond Counsel Services

We will perform services as bond counsel in connection with the authorization, issuance and sale of bonds to be issued by the Authority to acquire and construct facilities and finance Authority costs and projects, as may be authorized and issued hereafter for such purposes (the "Bonds"). Our services as bond counsel will include:

- Attend meetings with your consultants in connection with the planning and authorization of such Bond issue, including consultation on federal income tax matters;
- Review of the official statement prepared by the Authority's underwriters, financial advisors or securities counsel in connection with the sale of the Bonds, but only for the limited purposes described in such official statement;
- Prepare the legal documents comprising the transcript of legal proceedings for authorization and issuance of the Bonds;
- Prepare and submit to the Attorney General of Texas a transcript of legal proceedings for the Bonds to obtain the approval of the Attorney General and registration of the Bonds by the Comptroller of Public Accounts of Texas;
- Prepare and file legal documents required under federal income tax law for the Bonds, and prepare and deliver to the Authority a "Letter of Instructions" with respect to the federal income tax treatment of bond proceeds;
- Coordinate, in conjunction with the Authority's financial advisor, delivery of the Bonds to the initial purchaser; and
- If appropriate, deliver at closing our approving opinion as to the validity of the Bonds under Texas law and the exclusion of interest on the Bonds from gross income of the holders under federal income tax law.

Our services as bond counsel include work related to review of any required application to the Texas Water Development Board ("TWDB") prepared by the Authority's engineer to the extent such work is routine but does not include work related to the Authority's application if it involves significant involvement in the preparation or correspondence or discussion with the TWDB regarding the TWDB rules

as they relate to the application or work related to receipt of financial agency credit ratings, which work is included under "General Representation of the Authority," above.

It is our understanding that the Authority will employ a recognized investment banking firm to serve as financial advisor to the Authority and that said firm will be responsible for advising the Authority concerning the sale of the Bonds and will assist the Authority in the preparation of an Official Notice of Sale and an Official Statement (the "Offering Documents") in connection with each issue of the Bonds offered for sale to the public.

In our capacity as bond counsel, we will review those portions of the Offering Documents which describe the Authority's legal authority for issuance of the Bonds to determine whether such description conforms to and fairly summarizes relevant provisions of Texas law. We also will review those portions of the Offering Documents describing the resolution of the Board authorizing the Bonds to determine whether such description fairly summarizes the provisions of said resolution. In addition, if requested, we will review such other portions of the Offering Documents as describe matters of law and legal relationships of the Authority about which we have knowledge. We will not, however, undertake to independently verify any of the factual information contained in the Offering Documents, nor will we conduct any investigation of the affairs of the Authority for the purpose of passing on the accuracy or completeness of the Offering Documents. Since our role in connection with the Offering Documents will be of an advisory rather than an investigatory nature, said documents will contain a statement describing our services as outlined above and stating that our limited participation may not be relied upon as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of the information contained therein.

Unless specifically requested by the Authority pursuant to terms and conditions to be set forth in a separate engagement letter, we will not be responsible for advising the Authority concerning the provisions of the various securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934, and the securities laws of the various states in which the Bonds may be sold.

Scope of Engagement - Continuing Disclosure Services

Additionally, we will provide legal services in connection with the obligation of the Authority to provide continuing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12, as such rule may be amended from time to time, with respect to any bonds issued by the Authority. In connection with this engagement, we will

advise the Authority of its continuing disclosure obligations, prepare resolutions to be adopted by the Board of Directors of the Authority in connection with the Authority's continuing disclosure obligation, and prepare the Authority's continuing disclosure filings with the assistance of the Authority's bookkeeper, auditor, financial advisor, operator, engineer and other Authority consultants.

General Understandings

We understand and agree that this is not an exclusive agreement, and you are free to retain any other counsel of your choosing. We recognize that we shall be disqualified from representing any other client with interests materially and directly adverse to yours (i) in any matter which is substantially related to our representation of you and (ii) with respect to any matter where there is a reasonable probability that confidential information you furnished to us could be used to your disadvantage.

This engagement and our attorney-client relationship will be terminated when we have completed the services in the matters covered by this engagement letter and any written supplements to this engagement letter. If you later retain us to perform further or additional services, our attorney-client relationship will be established by another engagement letter.

Cooperation

To enable us to render effectively the legal services contemplated, the Authority has agreed to disclose fully and accurately all facts and keep us informed of all developments relating to our representation. We necessarily must rely on the accuracy and completeness of the facts and information you and your agents provide to us. To the extent it is necessary for the Authority's representatives to attend meetings in connection with this matter, we will attempt to schedule them so that the convenience of those representatives can be served.

Fees

Fees related to matters other than bond counsel services (*i.e.*, fees for serving as general counsel and for continuing disclosure services) are based on hourly rates and will be based on the time spent by the lawyers, paralegals, and administrative personnel who work on the matter. Billing rates vary according to the experience of the individuals. In an effort to reduce overall legal costs, we utilize paralegal and administrative assistant personnel whenever appropriate.

Our monthly bills will reflect all individuals that worked that month on the Authority and their respective billing rates.

For our services as bond counsel in connection with the authorization, issuance, and sale of bonds, the Authority will pay us, from the proceeds of sale of each issue or installment of the bonds, the following:

- a. an amount equal to 1.5% of the first \$5,000,000 in principal amount of the bonds; and
- b. an amount equal to 0.5% of the principal amount of such bonds above said first \$5,000,000 in principal amount but not exceeding \$20,000,000 in principal amount; and
- c. an amount equal to 0.4% of the principal amount of such bonds above \$20,000,000 in principal amount but not exceeding \$35,000,000 in principal amount; and
- d. an amount equal to 0.3% of the principal amount of such bonds above \$35,000,000 in principal amount but not exceeding \$50,000,000 in principal amount; and
- e. an amount equal to 0.2% of the principal amount of such bonds above \$50,000,000 in principal amount but not exceeding \$65,000,000 in principal amount; and
- f. an amount equal to 0.1% of the principal amount of such bonds above \$65,000,000 in principal amount but not exceeding \$80,000,000 in principal amount; and
- g. an amount equal to 0.05% of the principal amount of such bonds above \$80,000,000 in principal amount.

The above fee schedule shall be applicable to each separate issue or installment of bonds, but shall only be due with respect to bonds actually issued, sold, and delivered. Our fee for bond counsel services for any separate issue or installment of the bonds shall not be less than \$60,000, plus charges for the actual expenses involved.

In the event the Authority determines that it is necessary or desirable to issue bond anticipation notes or to obtain other forms of short-term financing, we will render all bond counsel services necessary in connection therewith and our fee shall be set

forth in a separate written agreement that is mutually agreed upon by the Authority and us.

Other Charges

In addition to our fees, there will be other charges for items incident to the performance of our legal services, such as photocopying, messengers, travel expenses, long distance telephone calls, facsimile transmissions, postage, overtime for secretaries and other non legal staff, specialized computer applications such as computerized legal research, and filing fees. The basis upon which we establish these other charges is set forth in the Standard Terms of Engagement for Legal Services.

Investment Disclosures

Many of the Firm's lawyers, directly or beneficially, own interests in corporations and other entities or in real property. If you are at all concerned about these individual investments, we will be pleased to canvass our lawyers about their individual investments in any entity or entities about which you may be concerned.

Withdrawal or Termination

Our relationship is based upon mutual consent and you may terminate our representation at any time, with or without cause, by notifying us. Your termination of our services will not affect your responsibility for payment of fees for legal services rendered and of other charges incurred before termination and in connection with an orderly transition of the matter.

We are subject to the rules of professional conduct for the jurisdictions in which we practice, which list several types of conduct or circumstances that require or allow us to withdraw from representing a client, including for example, nonpayment of fees or costs, misrepresentation or failure to disclose material facts, fundamental disagreements, and conflict of interest with another client. We try to identify in advance and discuss with you any situation which may lead to our withdrawal, and if withdrawal ever becomes necessary, we give you written notice of our withdrawal. If we elect to withdraw for any reason, you will take all steps necessary to free us of any obligation to perform further, including the execution of any documents necessary to complete our withdrawal, and we will be entitled to be paid for all services rendered and other charges accrued on your behalf to the date of withdrawal.

Other

If the foregoing, including the items set forth in the enclosed Standard Terms of Engagement For Legal Services, correctly reflects your understanding of the terms and conditions of our representation, please so indicate by executing the enclosed copy of this letter in the space provided below and return it to the undersigned. Please contact me if you have any questions. We are pleased to have this opportunity to be of service and to work with you.

Very truly yours,

ALLEN BOONE HUMPHRIES ROBINSON LLP

By: David M. Oliver, Jr.
David M. Oliver, Jr.

Approved and accepted by the Board of Directors of North Fort Bend Water Authority on May 27, 2015.

By: [Signature]
President, Board of Directors

ATTEST:

By: [Signature]
Asst. Secretary, Board of Directors

(SEAL)



ALLEN BOONE HUMPHRIES ROBINSON LLP

*Standard Terms of Engagement
for Legal Services*

This statement sets forth certain standard terms of our engagement as your lawyers and is intended as a supplement to the engagement letter that we have with you as our client. Unless modified in writing by mutual agreement, these terms will be an integral part of our agreement with you as reflected in the engagement letter. Therefore, we ask that you review this statement carefully and contact us promptly if you have any questions. We suggest that you retain this statement in your file with the engagement letter.

The Scope of Our Work

You should have a clear understanding of the legal services we will provide. Any questions that you have should be dealt with promptly.

We will at all times act on your behalf to the best of our ability. Any expressions on our part concerning the outcome of your legal matters are expressions of our best professional judgment, but are not guarantees. Such opinions are necessarily limited by our knowledge of the facts and are based on the state of the law at the time they are expressed.

It is our policy that the person or entity that we represent is the person or entity that is identified in our engagement letter, and absent an express agreement to the contrary does not include any affiliates of such person or entity (e.g., if you are a corporation or partnership, any parents, subsidiaries, employees, officers, directors, shareholders or partners of the corporation or partnership, or commonly owned corporations or partnerships; or, if you are a trade association, any members of the trade association). If you believe this engagement includes additional entities or persons as our clients you should inform us immediately.

It is also our policy that the attorney-client relationship will be considered terminated upon our completion of any services that you have retained us to perform. If you later retain us to perform further or additional services, our attorney-client relationship will be revived subject to the terms of engagement that we agree on at that time.

This engagement shall be subject to the Texas Disciplinary Rules of Professional Conduct. We also wish to advise you of the contents of The Texas Lawyer's Creed, a copy of which is included at the end of these Standard Terms of Engagement for Legal Services.

Who Will Provide the Legal Services

Customarily, each client of the Firm is served by a principal attorney contact. The principal attorney should be someone in whom you have confidence and with whom you enjoy working. You are free to request a change of principal attorney at any time. Subject to the supervisory role of the principal attorney, your work or parts of it may be performed by other lawyers and legal assistants in the Firm. Such delegation may be for the purpose of involving lawyers or legal assistants with special expertise in a given area or for the purpose of providing services on the most efficient and timely basis. Whenever practicable, we will advise you of the names of those attorneys and legal assistants who work on your matters.

How Our Fees Will Be Set

Generally, our fees are based on the time spent by the lawyers, paralegals, and administrative personnel who work on the matter. We will charge for all time spent in representing your interests, including, by way of illustration, telephone and office conferences with you and your representatives, consultants (if any), opposing counsel, and others; conferences among our lawyers, paralegals, and administrative personnel; factual investigation; legal research; responding to your requests for us to provide information to your auditors in connection with reviews or audits of financial statements; drafting letters and other documents; and travel. We will keep accurate records of the time we devote to your work in units of quarters of an hour.

The hourly rates of our lawyers, paralegals, and administrative personnel are reviewed and increased from time to time, and at least annually, to reflect current levels of experience, changes in overhead costs, and other factors.

Although we may from time to time, at the client's request, furnish estimates of legal fees and other charges that we anticipate will be incurred, these estimates are by their nature inexact (due to unforeseeable circumstances) and, therefore, the actual fees and charges ultimately billed may vary from such estimates.

Additional Charges

In addition to our fees, there will be other charges for items incident to the performance of our legal services, such as photocopying, messengers, travel expenses, facsimile transmissions, postage, overtime for secretaries and other non-legal staff, specialized computer applications such as computerized legal research, and filing fees. The current basis for these charges is set forth below. The Firm will review this schedule of charges on an annual basis and adjust them to take into account changes in the Firm's costs and other factors.

Duplicating

The Firm charges \$.15 per page.

Courier Services

The Firm charges an amount which generally represents cost including the distribution service provided by the Firm. Depending on the volume of work performed by a service provider, the Firm may receive a volume discount during a particular accounting period for which no adjustment is made on an individual client's bill.

Computer Aided Legal Research (CALR)

Third party providers of CALR services charge the Firm amounts each month based on the type, extent, and duration of the services provided. The Firm charges clients for client research only based on the computed cost to the Firm for the use of the services. This cost is monitored and revised periodically to achieve an average "at cost" rate for clients.

Telefax

The Firm does not charge for telefaxes.

Telephone

The Firm does not charge for local or long distance calls.

Travel-Related Expenses

Airfare, meals, and related travel expenses charged to the client represent actual, out-of-pocket cost. Depending on the volume of both Firm and personal travel, the Firm may receive beneficial services, including airline tickets from its travel agent for which no adjustment is made on an individual client's account. In addition, credits earned under the Frequent Flyer Programs accrue to the individual traveler and not to the Firm.

All Other Costs

The Firm charges actual disbursements for third-party services like court reporters, expert witnesses, etc., and may recoup expenses reasonably incurred in connection with services performed in-house, such as mail services, secretarial overtime, file retrieval, etc.

Unless special arrangements are otherwise made, fees and expenses of others (such as experts, investigators, consultants and court reporters) will be the responsibility of, and billed directly to, the client. Further, all invoices in excess of \$500 will be forwarded to the client for direct payment.

Billing Arrangements and Terms

Our billing rates are based on the assumption of prompt payment. Consequently, unless other arrangements are made, fees for the services described herein will be billed from time to time as the work is performed or at such regular intervals, not to exceed 30 days, as the client may direct and are payable within thirty days of receipt.

Advances

Clients of the Firm are sometimes asked to deposit funds as an advance payment with the Firm. The advance payment will be applied first to payment of charges for such items as photocopying, messengers, travel, etc., as more fully described above, and then to fees for services. The advance will be deposited in our client advance account and we will charge such other charges and our fees against the advance and credit them on our billing statements. In the event such other charges and our fees for services exceed the advance deposited with us, we will bill you for the excess monthly or may request additional advances. Any unused portion of amounts advanced will be refundable at the conclusion of our representation.

Client and Firm Documents

We will maintain any documents that you furnish to us in our client file (or files) for this matter. At your request, we will return your documents to you at the conclusion of the matter (or earlier, if appropriate). It is your obligation to tell us which, if any, of the documents that you furnish us that you want returned. We will return those documents to you promptly after our receipt of payment for outstanding fees and charges. Our own files pertaining to this matter, including the work performed by our attorneys, will be retained by the Firm. Any documents retained by the Firm will be kept for a certain period of time, and ultimately we will destroy them in accordance with our record retention program schedule then in effect.

Attorney Complaint Information

The State of Texas investigates and prosecutes complaints of professional misconduct against attorneys licensed in Texas. A brochure entitled Attorney Complaint Information is available at our office and is likewise available upon request. A client that has any questions about the State Bar's disciplinary process should call the Grievance Information Helpline of the State Bar of Texas at 1-800-932-1900.

THE TEXAS LAWYER'S CREED - A MANDATE FOR PROFESSIONALISM

The Texas Supreme Court and the Texas Court of Criminal Appeals adopted this Creed, with the requirement that lawyers advise their clients of its contents when undertaking representation.

I am a lawyer; I am entrusted by the People of Texas to preserve and improve our legal system. I am licensed by the Supreme Court of Texas. I must therefore abide by the Texas Disciplinary Rules of Professional Conduct, but I know that Professionalism requires more than merely avoiding the violation of laws and rules. I am committed to this Creed for no other reason than it is right.

I. OUR LEGAL SYSTEM. A lawyer owes to the administration of justice personal dignity, integrity, and independence. A lawyer should always adhere to the highest principles of professionalism. I am passionately proud of my profession. Therefore, "My word is my bond." I am responsible to assure that all persons have access to competent representation regardless of wealth or position in life. I commit myself to an adequate and effective pro bono program. I am obligated to educate my clients, the public, and other lawyers regarding the spirit and letter of this Creed. I will always be conscious of my duty to the judicial system.

II. LAWYER TO CLIENT. A lawyer owes to a client allegiance, learning, skill, and industry. A lawyer shall employ all appropriate means to protect and advance the client's legitimate rights, claims, and objectives. A lawyer shall not be deterred by any real or imagined fear of judicial disfavor or public unpopularity, nor be influenced by mere self-interest. I will advise my client of the contents of this Creed when undertaking representation. I will endeavor to achieve my client's lawful objectives in legal transactions and in litigation as quickly and economically as possible. I will be loyal and committed to my client's lawful objectives, but I will not permit that loyalty and commitment to interfere with my duty to provide objective and independent advice. I will advise my client that civility and courtesy are expected and are not a sign of weakness. I will advise my client of proper and expected behavior. I will treat adverse parties and witnesses with fairness and due consideration. A client has no right to demand that I abuse anyone or indulge in any offensive conduct. I will advise my client that we will not pursue conduct which is intended primarily to harass or drain the financial resources of the opposing party. I will advise my client that we will not pursue tactics which are intended primarily for delay. I will advise my client

that we will not pursue any course of action which is without merit. I will advise my client that I reserve the right to determine whether to grant accommodations to opposing counsel in all matters that do not adversely affect my client's lawful objectives. A client has no right to instruct me to refuse reasonable requests made by other counsel. I will advise my client regarding the availability of mediation, arbitration, and other alternative methods of resolving and settling disputes.

III. LAWYER TO LAWYER. A lawyer owes to opposing counsel, in the conduct of legal transactions and the pursuit of litigation, courtesy, candor, cooperation, and scrupulous observance of all agreements and mutual understandings. Ill feelings between clients shall not influence a lawyer's conduct, attitude, or demeanor toward opposing counsel. A lawyer shall not engage in unprofessional conduct in retaliation against other unprofessional conduct. I will be courteous, civil, and prompt in oral and written communications. I will not quarrel over matters of form or style, but I will concentrate on matters of substance. I will identify for other counsel or parties all changes I have made in documents submitted for review. I will attempt to prepare documents which correctly reflect the agreement of the parties. I will not include provisions which have not been agreed upon or omit provisions which are necessary to reflect the agreement of the parties. I will notify opposing counsel, and, if appropriate, the Court or other persons, as soon as practicable, when hearings, depositions, meetings, conferences or closings are canceled. I will agree to reasonable requests for extensions of time and for waiver of procedural formalities, provided legitimate objectives of my client will not be adversely affected. I will not serve motions or pleadings in any manner that unfairly limits another party's opportunity to respond. I will attempt to resolve by agreement my objections to matters contained in pleadings and discovery requests and responses. I can disagree without being disagreeable. I recognize that effective representation does not require antagonistic or obnoxious behavior. I will neither encourage nor knowingly permit my client or anyone under my control to do anything which would be unethical or improper if done by me. I will not, without good cause, attribute bad motives or unethical conduct to opposing counsel nor bring the profession into disrepute by unfounded accusations of impropriety. I

will avoid disparaging personal remarks or acrimony towards opposing counsel, parties and witnesses. I will not be influenced by any ill feeling between clients. I will abstain from any allusion to personal peculiarities or idiosyncrasies of opposing counsel. I will not take advantage, by causing any default or dismissal to be rendered, when I know the identity of an opposing counsel, without first inquiring about that counsel's intention to proceed. I will promptly submit orders to the Court. I will deliver copies to opposing counsel before or contemporaneously with submission to the court. I will promptly approve the form of orders which accurately reflect the substance of the rulings of the Court. I will not attempt to gain an unfair advantage by sending the Court or its staff correspondence or copies of correspondence. I will not arbitrarily schedule a deposition, Court appearance, or hearing until a good faith effort has been made to schedule it by agreement. I will readily stipulate to undisputed facts in order to avoid needless costs or inconvenience for any party. I will refrain from excessive and abusive discovery. I will comply with all reasonable discovery requests. I will not resist discovery requests which are not objectionable. I will not make objections nor give instructions to a witness for the purpose of delaying or obstructing the discovery process. I will encourage witnesses to respond to all deposition questions which are reasonably understandable. I will neither encourage nor permit my witness to quibble about words where their meaning is reasonably clear. I will not seek Court intervention to obtain discovery which is clearly improper and not discoverable. I will not seek sanctions or disqualification unless it is necessary for protection of my client's lawful objectives or is fully justified by the circumstances.

misquote or miscite facts or authorities to gain an advantage. I will respect the rulings of the Court. I will give the issues in controversy deliberate, impartial and studied analysis and consideration. I will be considerate of the time constraints and pressures imposed upon the Court, Court staff and counsel in efforts to administer justice and resolve disputes.

IV. LAWYER AND JUDGE. Lawyers and judges owe each other respect, diligence, candor, punctuality, and protection against unjust and improper criticism and attack. Lawyers and judges are equally responsible to protect the dignity and independence of the Court and the profession. I will always recognize that the position of judge is the symbol of both the judicial system and administration of justice. I will refrain from conduct that degrades this symbol. I will conduct myself in court in a professional manner and demonstrate my respect for the Court and the law. I will treat counsel, opposing parties, the Court, and members of the Court staff with courtesy and civility. I will be punctual. I will not engage in any conduct which offends the dignity and decorum of proceedings. I will not knowingly misrepresent, mischaracterize,

FINANCIAL ADVISORY AGREEMENT

This Financial Advisory Agreement (the "Agreement") is made and entered into by and between the North Fort Bend Water Authority (the "Issuer") and Post Oak Municipal Advisors LLC ("POMA") effective as of April 10, 2018 (the "Effective Date").

WITNESSETH:

WHEREAS, the Issuer may have under consideration from time to time the authorization and issuance of indebtedness in amounts and forms which cannot presently be determined and, in connection with the authorization, sale, issuance and delivery of such indebtedness, Issuer desires to retain an independent financial advisor; and

WHEREAS, the Issuer desires to obtain the professional services of POMA to advise the Issuer regarding the issuance and sale of certain evidences of indebtedness or debt obligations that may be authorized and issued or otherwise created or assumed by the Issuer (hereinafter referred to collectively as the "Debt Instruments") as well as the purchase of certain notes from various financial institutions ("Notes") under the Issuer's Note Purchase Program (the "Note Purchase Program") from time to time during the period in which this Agreement shall be effective; and

WHEREAS, POMA is willing to provide its professional services and its facilities as financial advisor in connection with all programs of financing as may be considered and authorized by Issuer during the period in which this Agreement shall be effective.

NOW, THEREFORE, the Issuer and POMA, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, do hereby agree as follows:

SECTION I DESCRIPTION OF SERVICES

Upon the request of an authorized representative of the Issuer, POMA agrees to perform the financial advisory services stated in the following provisions of this Section I; and for having rendered such services, the Issuer agrees to pay to POMA the compensation as provided herein.

- A. Financial Planning. At the direction of the Issuer, POMA shall:
1. Survey and Analysis. Conduct a survey of the financial resources of the Issuer to determine the extent of its capacity to authorize, issue, and service any Debt Instruments contemplated. This survey will include an analysis of any existing debt structure as compared with the existing and projected sources of revenues which may be pledged to secure payment of debt service and, where appropriate, will include present and future revenue requirements of the Issuer. In the event revenues of existing or projected facilities operated by the Issuer are to be pledged to repayment of the Debt Instruments then under consideration, the survey will take into account any outstanding indebtedness payable from the revenues thereof, additional revenues be available from any proposed rate increases and additional

revenues, as projected by consulting engineers employed by the Issuer, resulting from improvements to be financed by the Debt Instruments under consideration. The survey provided under this Section I may also include, where appropriate, the analysis of the Issuer's rates, the impact of capital contributions to the Issuer by members of the Authority, and the analysis of financing alternatives for payments due the City of Houston or others from the Issuer.

2. Future Financings. Consider and analyze future financing needs as projected by the Issuer's consultants and consulting engineers or other experts, if any, employed by the Issuer.
 3. Recommendations for Debt Instruments. On the basis of the information developed by the survey described above, and other information and experience available, submit to the Issuer recommendations regarding the Debt Instruments under consideration, including such elements as the date of issue, interest payment dates, schedule of principal maturities, options of prior payment, security provisions, and such other provisions as may be appropriate in order to make the issue attractive to investors while achieving the objectives of the Issuer. All recommendations will be consistent with the goal of designing the Debt Instruments to be sold on terms which are advantageous to the Issuer, including the lowest interest cost consistent with all other considerations.
 4. Market Information. Advise the Issuer of our interpretation of current bond market conditions, other related forthcoming bond issues and general information, with economic data, which might normally be expected to influence interest rates or bidding conditions so that the date of sale of the Debt Instruments may be set at a favorable time.
 5. Rates. Annual review of rates and provision of recommendations regarding Issuer's Pumpage and Surface Water Fees.
 6. Meetings. In the event our attendance is required at a regularly scheduled Issuer meeting, at other public meetings, at meetings of a finance committee or other committee, at a meeting with the City of Houston or any other meeting specifically requested by the Issuer, a member or members of POMA will attend.
- B. Debt Management and Financial Implementation. At the direction of Issuer, POMA shall:
1. Method of Sale. Evaluate the particular financing being contemplated, giving consideration to the complexity, market acceptance, rating, size and structure in order to make a recommendation as to an appropriate method of sale, and:
 - a. If the Debt Instruments are to be sold by an advertised competitive sale, POMA will:

- (1) Supervise the sale of the Debt Instruments;
 - (2) Disseminate information to prospective bidders, organize such informational meetings as may be necessary, and facilitate prospective bidders' efforts in making timely submission of proper bids;
 - (3) Assist the consultants of the Issuer in coordinating the receipt of bids, the safekeeping of good faith checks and the tabulation and comparison of submitted bids; and
 - (4) Advise the Issuer regarding the best bid and provide advice regarding acceptance or rejection of the bids.
- b. If the Debt Instruments are to be sold by negotiated sale, POMA will:
- (1) Recommend for Issuer's final approval and acceptance one or more investment banking firms as managers of an underwriting syndicate for the purpose of negotiating the purchase of the Debt Instruments.
 - (2) Cooperate with and assist any selected managing underwriter and their counsel in connection with their efforts to prepare any Official Statement or Offering Memorandum. POMA will cooperate with and assist the underwriters in the preparation of a bond purchase contract, an underwriters agreement and other related documents. The costs incurred in such efforts, including the printing of the documents, will be paid in accordance with the terms of the Issuer's agreement with the underwriters, but shall not be or become an obligation of POMA, except to the extent specifically provided otherwise in this Agreement or assumed in writing by POMA.
 - (3) Assist the consultants of the Issuer in the safekeeping of any good faith checks, to the extent there are any of such, and provide a cost comparison, for both expenses and interest which are suggested by the underwriters, to the then current market.
 - (4) Advise the Issuer as to the fairness of the price offered by the underwriters.
2. Offering Documents. Assist in the preparation and compilation of the notice of sale and bidding instructions, official statement, official bid form and such other documents (the "Offering Documents") as may be required and submit all such documents to the Issuer for examination, approval and certification. The Issuer acknowledges that it is subject to and may be held liable under federal or state securities laws for violations thereof, including misleading or incomplete disclosure in the Offering Documents. After such examination, approval and certification, POMA shall provide the Issuer with a supply of all such documents sufficient to its needs and distribute by mail or, where

appropriate, by electronic delivery, sets of the same to prospective purchasers of the Debt Instruments. Also, POMA shall provide copies of the final Official Statement to the purchaser of the Debt Instruments in accordance with the Notice of Sale and Bidding Instructions.

3. Credit Ratings. Make recommendations to the Issuer as to the advisability of obtaining a credit rating or ratings, for the Debt Instruments and/or municipal bond insurance, and, when directed by the Issuer, coordinate the preparation of such information as may be appropriate for submission to the rating agency, or agencies and/or municipal bond insurance providers. In those cases where the advisability of personal presentation of information to the rating agency, or agencies, may be indicated, POMA will arrange for such personal presentations, utilizing such composition of representatives from the Issuer as may be finally approved or directed by the Issuer.
4. Trustee, Paying Agent, Registrar. Upon request, counsel with the Issuer in the selection of a Trustee and/or Paying Agent/Registrar for the Debt Instruments, and assist in the negotiation of agreements pertinent to these services and the fees incident thereto.
5. Financial Publications. When appropriate, advise financial publications of the forthcoming sale of the Debt Instruments and provide them with all pertinent information.
6. Consultants. After consulting with and receiving directions from the Issuer, arrange for such reports and opinions of recognized independent consultants as may be appropriate for the successful marketing of the Debt Instruments.
7. Auditors. In the event formal verification by an independent auditor of any calculations incident to the Debt Instruments is required, make arrangements for such services.
8. Issuer Meetings. Attend meetings of the governing body of the Issuer, its consultants, representatives or committees as requested at all times when POMA may be of assistance or service and the subject of financing is to be discussed.
9. Printing. To the extent authorized by the Issuer, coordinate all work incident to printing of the offering documents and the Debt Instruments.
10. Delivery of Debt Instruments. As soon as a bid for the Debt Instruments is accepted by the Issuer, coordinate the efforts of all concerned to the end that the Debt Instruments may be delivered and paid for as expeditiously as possible and assist the Issuer in the preparation or verification of final closing figures incident to the delivery of the Debt Instruments.

11. Debt Service Schedule. After the closing of the sale and delivery of the Debt Instruments, deliver to the Issuer a schedule of annual debt service requirements for the Debt Instruments.
- C. Note Purchase Program. In conjunction with the Issuer's Note Purchase Program, at the direction of Issuer, POMA shall:
1. Evaluate the Note issuance being contemplated, giving consideration to alternate methods of project financing, market acceptance, size, and structure, and role of Note issuance within the Issuer's overall financing plan;
 2. Assist the consultants of the Issuer in coordinating with the appropriate financial institutions regarding negotiations and documentation related to the Note Purchase Program and the issuance of any Note(s) thereunder;
 3. Attend meetings of the governing body of the Issuer, its consultants, representatives or committees as requested at all times with POMA may be of assistance or service and the subjects relating to the Note Purchase Program are to be discussed; and
 4. Monitor the expiration of any Notes issued under the Note Purchase Program to ensure permanent or replacement financial plans are in place for any amounts due and owing on the Note prior to its expiration.

SECTION II TERMINATION

This Agreement may be terminated with or without cause by the Issuer or POMA upon the giving of at least thirty (30) days' prior written notice to the other party of its intention to terminate, specifying in such notice the effective date of such termination. However, it is understood that POMA may not be terminated during the pendency of a competitive bond issue once the Issuer has authorized the advertisement of the sale of such bonds and until the delivery of such bonds. No penalty will be assessed for termination of this Agreement.

SECTION III COMPENSATION AND EXPENSE REIMBURSEMENT

The fees due to POMA for the services set forth and described in Section I, A1 through A6 of this Agreement with respect to financial planning and meetings prior to the issuance of bonds shall be calculated in accordance with the schedule set forth or Appendix A attached hereto. The fees due to POMA for the services set forth and described in Section I, B1 through B11 and Section I, D1 through D4 of this agreement with respect to the issuance of Debt Instruments and Notes shall be calculated in accordance with the schedule set forth on Appendix B attached hereto. Unless specifically provided otherwise in Appendices A and B or in a separate written agreement between Issuer and POMA, such fees, together with any other fees as may have been mutually agreed upon and all expenses for which POMA is entitled to reimbursement, shall become due and payable as shown in Appendices A and B. POMA shall invoice the Issuer for all fees and reimbursable expenses due from the Issuer hereunder, and all invoices shall be signed by POMA.

**SECTION IV
MISCELLANEOUS**

1. Choice of Law. This Agreement shall be construed and given effect in accordance with the laws of the State of Texas.
2. Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the Issuer and POMA, their respective successors and assigns; provided however, neither party hereto may assign or transfer any of its rights or obligations hereunder without the prior written consent of the other party.
3. Entire Agreement. This instrument contains the entire agreement between the parties relating to the rights herein granted and obligations herein assumed. Any oral or written representations or modifications concerning this Agreement shall be of no force or effect except for a subsequent modification in writing signed by all parties hereto.
4. Additional Certifications. Additionally, POMA represents and verifies that, to the extent this contract represents a contract for goods and services within the meaning of Section 2270.002 of the Texas Government Code, as amended, and solely for purposes of Chapter 2270 of the Texas Government Code, at the time of execution of this contract and through the termination of this contract, except to the extent otherwise required by applicable federal law, POMA neither boycotts or will boycott Israel. The terms "boycott Israel" and "boycotts Israel" as used in this paragraph have the meanings assigned to the term "boycott Israel" in Section 808.001 of the Texas Government Code, as amended.

Further, by executing this contract, POMA also represents and certifies that, to the extent this contract represents a governmental contract within the meaning of Section 2252.151 of the Texas Government Code, as amended, and solely for purposes of Chapter 2252 of the Texas Government Code, at the time of execution and delivery of this contract and through the termination of this contract, except to the extent otherwise required by applicable federal law, POMA neither: (i) engages in business with Iran, Sudan, or any foreign terrorist organization as described in Chapters 806 or 807 of the Texas Government Code, or Subchapter F of Chapter 2252 of the Texas Government Code; or (ii) is a company listed by the Texas Comptroller of Public Accounts under Sections 806.051, 807.051, or 2252.153 of the Texas Government Code. The term "foreign terrorist organization" in this paragraph the meaning assigned to such term in Section 2252.151 of the Texas Government Code.

[SIGNATURE PAGES FOLLOW.]

POST OAK MUNICIPAL ADVISORS LLC

By: _____

NORTH FORT BEND WATER AUTHORITY

By: _____
Title: _____
Date: _____

ATTEST:

Secretary

APPENDIX A

The fees due POMA for services set forth and described in Section I, A1 through A6, shall be accrued on an hourly basis as follows:

Senior Vice Presidents/Managing Directors	\$ _____	per hour
Other Vice Presidents/Analysts	\$ _____	per hour
Administrative	\$ _____	per hour

With respect to the method of billing used by POMA, if two senior vice presidents and/or managing directors are in attendance or involved in a project, the Issuer will only be invoiced for \$ _____ per hour. However, if a senior vice president and/or managing director and another vice president or analyst is necessary at the attendance of a meeting or involved in a project, the Issuer will be invoiced for both of those professionals.

If POMA seeks payment for any such services, POMA shall invoice the Issuer for any such services on a quarterly basis. Hourly fees shall be due and payable within 60 days of the date of the invoice.

The Issuer shall be responsible for the following expenses, if and when applicable, whether they are charged to the Issuer directly as expenses or charged to the Issuer by POMA as reimbursable expenses:

- Travel expenses
- Miscellaneous, including copy, delivery, word processing, and phone charges

APPENDIX B

Bonds

The fees due POMA with respect to the services as set forth in Section I, B1 through B11 for the issuing of Debt Instruments that are bonds are as follows:

		Minimum Fee	\$50,000
First		\$3,000,000:	___ % of the Principal Amount
\$3,000,001	to	\$5,000,000:	___ % of the Principal Amount
\$5,000,001	to	\$10,000,000:	___ % of the Principal Amount
\$10,000,001	to	\$20,000,000:	___ % of the Principal Amount
\$20,000,001	to	\$30,000,000:	___ % of the Principal Amount
\$30,000,001	to	\$50,000,000:	___ % of the Principal Amount
Over	to	\$50,000,000:	___ % of the Principal Amount

The payment of fees described above for financial advisory services shall be contingent upon the delivery of bonds and shall be due at the time that bonds are delivered.

Notes

The fees due POMA with respect to the services as set forth in Section I, D1 through D4 for the issuance of Notes under the Authority's Note Purchase Program are as follows:

\$ ___ for each Note issuance.

Other

The fees due POMA for Debt Instruments that are not bonds or notes will be mutually determined by the Issuer and Team by separate written agreement.

The Issuer shall be responsible for the following expenses, if and when applicable, whether they are charged to the Issuer directly as expenses or charged to the Issuer by POMA as reimbursable expenses:

- Bond counsel, legal or tax opinion, counsel to underwriter, securities or disclosure counsel, or any other counsel
- Bond printing
- Bond ratings
- Credit enhancement
- CPA fees for refunding
- Official statement preparation and printing and distribution
- Paying agent/ registrar/ trustee
- Travel expenses
- Publication of Notices in newspapers, financial publications and other publications
- Miscellaneous, including copy, delivery, word processing, and phone charges

The payment of reimbursable expenses that POMA has assumed on behalf of the Issuer shall not be contingent upon the delivery of bonds and shall be due at the time that services are rendered and payable upon receipt of an invoice therefor submitted by POMA.

In the event that either party to this contract determines that it is necessary to retain securities or disclosure counsel to review documents and proceedings related to the offering of bonds by the Issuer and to provide other services customarily provided by securities disclosure counsel, such counsel will be retained.

STATE OF TEXAS

§

§ A CONTRACT FOR ACCOUNTING

§ AND INVESTMENT SERVICES

§

COUNTY FORT BEND COUNTY

This Service Contract is by and between **NORTH FORT BEND WATER AUTHORITY (the Authority)** and **AVANTA Services (the Accountant)** and dated January 1, 2009. Accountant shall provide the following services to the Authority:

I. Basic Services

1. Prepare and present, for Board approval, a monthly report listing cash receipts and disbursement activity within the funds. Also included, will be a statement of revenues and expenditures for the general fund. This report will be presented at the Authority's regular meeting together with all checks and related invoices.
2. Maintain all journals and ledgers pertaining to the Authority's funds in accordance with generally accepted accounting procedures and the Texas Commission on Environmental Quality Water District Financial Management Guide (TCEQ Publication RG-080), March 2004 (if applicable).
3. Maintain all journals and ledgers of the Authority in such a manner that excessive auditing procedures or adjustments by the Authority's auditor are not required.
4. Deposit Authority funds in the appropriate account on a timely basis, including TEXPOOL type pools.
5. Maintain necessary bank accounts, savings accounts and other accounts as may be necessary and authorized, and reconcile such accounts on a monthly basis for the funds.
6. The Accountant will provide continuing verification that securities are provided for Authority funds in accordance with State Law.
7. Complete posting and close all journals and ledgers within 50 days following the end of the Authority's fiscal year.
8. Use the best efforts to comply with recommendations contained in the Auditor's Annual Management Letter to the Board of Directors.
9. Attend one regular meeting of the Board of Directors per month. For meetings beginning at, or continuing beyond 5:00PM or later the Authority shall pay the Accountant Fifty Dollars (\$50) in addition to any other compensation.

For the basic services named above, the Authority agrees to pay the Accountant in accordance with Exhibit A. Cost for supplies, postage, mileage, copies, facsimiles, phone calls, and other reasonable out-of-pocket expenses incurred in performing such services will be billed at cost and submitted monthly. Fees and reimbursement of expenses will be due and payable monthly.

II. Additional Services

In addition to the services specifically named above, the Accountant will provide the Authority with such additional accounting services as its Board of Directors may require as being conducive to sound management. Such additional services may include, but are not limited to, attendance at more than one regular meeting per month, meetings for more than one hour, special reports, invoice verifications, funds handling resulting from the sale of Bonds or Bond Anticipation Notes, preparation of annual budgets, comparisons of capital projects expenditures with the costs summary, preparation of audit workpapers, and rate analyses and comparisons and preparation of the quarterly Investment Report indicating all Authority investment, market value and such other information as required under the Authority's Investment Policy.

For such additional services the Authority agrees to pay the Accountant in accordance with Exhibit A. Additional charges under this section shall be billed monthly when applicable. Each invoice shall itemize each additional service performance during the previous month and the time spent on each itemized service.

III. Public Employees Blanket Bond

The Accountant shall provide the Authority with a public employees blanket bond, acceptable to the Authority, in an amount to be determined by the Authority within ten (10) days of execution of this Agreement. The cost of such bond shall be borne by the Authority.

IV. Professional liability Insurance

Accountant agrees to maintain Professional Liability Insurance with the limits not less than \$1,000,000 each claim/aggregate and provide notice to the District if the amount of insurance is decreased or if the insurance is cancelled for any reason.

V. Timely Invoicing

The Authority shall instruct all contractors, vendors and service representatives of the Authority to submit all bills and invoices to the Accountant at least seven (7) business days prior to any scheduled regular meeting of the Board of Directors. It is understood that any bill or invoice submitted subsequent to the said seven (7) day period shall be paid, if possible, at said meeting, but will not necessarily be reflected on the reports.

VI. Terms and Cancellation

The terms of this Contract shall be for a period of one (1) year from its effective date and will be automatically renewed thereafter from year to year, pursuant to the terms and conditions of this Contract, unless the Contract is terminated as hereinafter provided or modified or replaced by written Contract between the parties hereto.

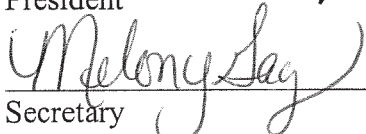
This Contract may be canceled by either party without cause at any time upon submission of thirty (30) days written notice, provided however that Accountant shall be compensated for the work performed through the effective date of termination.

All journals and ledgers maintained by the Accountant pursuant to this Contract shall be the property of the Authority and in the event of cancellation of this Contract shall be returned to the Authority.

**NORTH FORT BEND WATER
AUTHORITY**



President

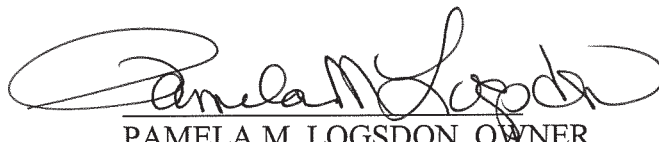


Secretary

11-19-08

Date

AVANTA SERVICES



PAMELA M. LOGSDON, OWNER

Nov 19, 2008

Date

NORTH FORT BEND WATER AUTHORITY

EXHIBIT A

Accountant shall receive monthly compensation for basis services outlined in Section I based on the level of staff performing the services. Additional services, as described in Section II, will be billed based on the level of staff performing the services. The hourly rates listed below are reviewed and adjusted annually to reflect current levels of experience, changes in overhead costs, and other factors. The current hourly rates are as follows:

Principal	\$ 150.00
Senior Accountant	\$ 110.00
Staff Accountant	\$ 70.00
Clerical	\$ 25.00

If the Accountant is appointed as Investment Officer, in accordance with the Authority's Investment Policy, the Accountant will receive compensation as follows:

Monthly Investment Officer Fee	\$ 75.00
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Texas Water Development Board



P.O. Box 13231, 1700 N. Congress Ave.
Austin, TX 78711-3231, www.twdb.texas.gov
Phone (512) 463-7847, Fax (512) 475-2053

January 6, 2017

Mr. David Scholler
Project Engineer
North Fort Bend Water Authority
10777 Westheimer, Suite 400
Houston, Texas 77042

Re: 2017 Annual Confirmation of Multi-year Commitment Request
State Water Implementation Fund for Texas (SWIFT) Project # 51022 and 51023

Dear Mr. Scholler:

By Resolution No. 15-080, the Texas Water Development Board (TWDB) made a multi-year commitment to the North Fort Bend Water Authority in the amount of \$555,845,000 through the State Water Implementation Fund for Texas (SWIFT) for the above referenced project numbers. The multi-year funding option allows borrowers to "lock in" a subsidy rate for a period of up to five funding year cycles, as well as the ability to close on portions of their overall commitment over the course of several years.

In preparing for the 2017 SWIFT funding year cycle, the TWDB will conduct a financial analysis to determine the capacity of the program for this year. The amount of financial assistance that each multi-year borrower plans to close in 2017 and in subsequent years will be considered. This analysis will be conducted as a part of each funding cycle, so entities with multi-year commitments will be asked to complete this form annually as long as they have outstanding commitments.

Resolution No. 15-080 included the enclosed schedule of annual closing amounts for the above referenced project. If there is no change to the closing schedule, please sign and complete the bottom portion of the form.

If the North Fort Bend Water Authority would like to close on an amount in 2017 different than was scheduled in the referenced Resolution No. 15-080 and adjust other years so that the overall amount will not increase, please complete the form and enter any requested changes in the Proposed Revised Amount column. The TWDB will attempt to accommodate such requests to the extent possible, but we cannot guarantee that all requested changes will be feasible.

<p>Our Mission : To provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for Texas</p>	<p>Board Members : Bech Bruun, Chairman Kathleen Jackson, Board Member Peter Lake, Board Member : : Jeff Walker, Executive Administrator</p>
--	--

Mr. David Scholler, Project Engineer

January 6, 2017

Page 2

If the North Fort Bend Water Authority finds that it will need more than the amount committed for either project, it will need to file an Abridged Application for the additional funds needed. The new funding request will be prioritized with all other funding requests received for this funding cycle.

Please complete the attached Multi-Year Commitment Annual Loan Closing Schedule and return it to SWIFT@twdb.texas.gov as soon as possible, but no later than February 3, 2017. Please feel free to contact Nancy Richards, Manager, East Texas Regional Project Implementation Team at Nancy.Richards@twdb.texas.gov or (512) 463-0250 if you have questions about your SWIFT project. We look forward to continuing to work with the North Fort Bend Water Authority and appreciate your prompt response.

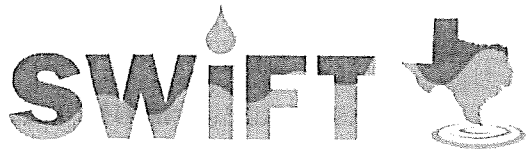
Sincerely,

for 

Jo Dawn Bomar

Director, Program Administration and Reporting
Water Supply and Infrastructure

Enclosure: Multi-year Commitment Annual Loan Closing Schedule



Multi-Year Commitment Annual Loan Closing Schedule

North Fort Bend Water Authority
Project #51022

Annual Loan Closing Schedule

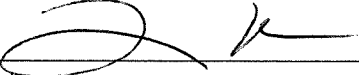
Year	Amount per Resolution No. 15-080	Proposed Revised Amount (If Applicable)
2017	\$66,700,000	NA
2018	\$67,600,000	NA
2019	\$69,530,000	NA
2020	\$39,590,000	NA
2021	\$20,940,000	NA
2022	\$23,110,000	NA

North Fort Bend Water Authority understands that this schedule will be relied upon by the TWDB in determining the financial capacity of the SWIFT program for the upcoming funding cycle, and therefore has provided the most accurate information available at this time.

Adjustments in particular years that do not result in an overall increase in the total commitment amount will be reviewed by TWDB and accommodated to the extent possible.

North Fort Bend Water Authority further understands that any increase in the total commitment amount must be prioritized with other projects and therefore an Abridged Application will need to be submitted.

I certify that I have the authority to sign on behalf of the North Fort Bend Water Authority.


Signature _____ Date 1/31/17

Lindsay Kovar, Project Manager
Printed Name and Title _____

Contact Information

Please provide the best point of contact for TWDB staff to discuss your anticipated closing schedule.

Shayna Chapman, EIT
Contact Name and Title _____

7134888273
Phone Number _____

schapman@bgeinc.com
Email Address _____

Application Filing and Authorized Representative Resolution

A RESOLUTION by the Board of Directors of the North Fort Bend Water Authority requesting financial assistance from the Texas Water Development Board; authorizing the filing of an application for assistance; and making certain findings in connection therewith.

BE IT RESOLVED BY THE Board of Directors OF THE North Fort Bend Water Authority:

SECTION 1: That an application is hereby approved and authorized to be filed with the Texas Water Development Board seeking financial assistance in an amount not to exceed \$ 154,535,000 to provide for the costs of WHCRWA - SS Transmission (additional project costs).

SECTION 2: That Peter Houghton be and is hereby designated the authorized representative of the North Fort Bend Water Authority for purposes of furnishing such information and executing such documents as may be required in connection with the preparation and filing of such application for financial assistance and the rules of the Texas Water Development Board.

SECTION 3: That the following firms and individuals are hereby authorized and directed to aid and assist in the preparation and submission of such application and appear on behalf of and represent the North Fort Bend Water Authority before any hearing held by the Texas Water Development Board on such application, to wit:

Financial Advisor: Terrell Palmer, Post Oak Municipal Advisors, LLC
2000 West Loop South, Suite 1800, Houston, TX 77027

Engineer: Lindsay Kovar, BGE, Inc.
10777 Westheimer Road, Suite 400, Houston, TX 77042

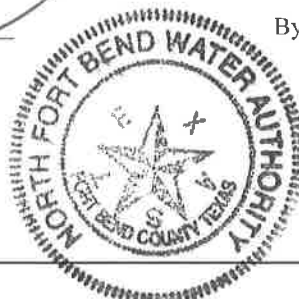
Bond Counsel: David Oliver, Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600, Houston, TX 77027

PASSED AND APPROVED, this the 26th day of April, 2018.

ATTEST: Melony Gay

By: Peter Houghton

(Seal)



Application Affidavit

THE STATE OF TEXAS §
 COUNTY OF Fort Bend §
 APPLICANT North Fort Bend Water Authority §

BEFORE ME, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Peter Houghton as the Authorized Representative of the North Fort Bend Water Authority, who being by me duly sworn, upon oath says that:

1. The decision by the North Fort Bend Water Authority (authority, city, county, corporation, district) to request financial assistance from the Texas Water Development Board ("TWDB") was made in a public meeting held in accordance with the Open Meetings Act (Government Code, §551.001, et seq.) and after providing all such notice as required by such Act as is applicable to the North Fort Bend Water Authority (authority, city, county, corporation, district).

2. The information submitted in the application is true and correct according to my best knowledge and belief.

3. The North Fort Bend Water Authority (authority, city, county, corporation, district) has no pending, threatened, or outstanding judgments, orders, fines, penalties, taxes, assessment or other enforcement or compliance issue of any kind or nature by the Environmental Protection Agency, Texas Commission on Environmental Quality, Texas Comptroller, Texas Secretary of State, or any other federal, state or local government, except for the following (if no such outstanding compliance issues, write in "none").

none

4. The North Fort Bend Water Authority (authority, city, county, corporation, district) warrants compliance with the representations made in the application in the event that the TWDB provides the financial assistance; and

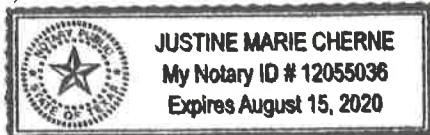
5. the North Fort Bend Water Authority (authority, city, county, corporation, district) will comply with all applicable federal laws, rules, and regulations as well as the laws of this state and the rules and regulations of the TWDB.

Peter Houghton
 Official Representative

Title: President

SWORN TO AND SUBSCRIBED BEFORE ME, by Peter Houghton
 on this 26th day of April, 2018.

(NOTARY'S SEAL)



Justine Marie Cherne
 Notary Public, State of Texas

Application Resolution - Certificate of Secretary

THE STATE OF TEXAS §
COUNTY OF Fort Bend §
APPLICANT North Fort Bend Water Authority §

I, the undersigned, Secretary of the North Fort Bend Water Authority Texas,
DO HEREBY CERTIFY as follows:

1. That on the 26 day of April, 2018, a regular/special meeting of the
North Fort Bend Water Authority was held; the duly constituted members of the
North Fort Bend Water Authority being as follows: Peter Haughton, Robert
Patton, Melony Gay, David Spell, Robert Darden, Bruce Fay, and Pat Hebert
all of whom were present at the meeting, except the following:

N/A
Among other business considered at the meeting, the attached resolution entitled:

"A RESOLUTION by the Board of Directors of the North Fort Bend Water Authority requesting
financial participation from the Texas Water Development Board; authorizing the filing of an application
for financial participation; and making certain findings in connection therewith."

was introduced and submitted to the Board of Directors for passage and adoption. After
presentation and consideration of the resolution, and upon a motion made by Gay and
seconded by Hebert, the resolution was passed and adopted by the
North Fort Bend Water Authority by the following vote:

7 voted "For" 0 voted "Against" 0 abstained
all as shown in the official minutes of the North Fort Bend Water Authority for this meeting.

2. That the attached resolution is a true and correct copy of the original on file in the official records
of the North Fort Bend Water Authority; the qualified and acting members of the Board of Directors on
the date of this meeting are those persons shown above and, according to the records of my office, advance notice of
the time, place, and purpose of meeting was given to each member of the Board of Directors; and that the
meeting, and the deliberations of the public business described above, was open to the public and written notice of
the meeting, including the subject of the resolution described above, was posted and given in advance of the meeting
in compliance with the provisions of Chapter 551 of the Texas Government Code.

IN WITNESS WHEREOF, I have signed my name and affixed the seal of
the North Fort Bend Water Authority, this the 26th day of April, 2018.

(SEAL)



Melony Gay
Secretary

CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS §
COUNTIES OF HARRIS §
AND FORT BEND §

I, the undersigned officer of the Board of Directors of North Fort Bend Water Authority, do hereby certify as follows:

1. The Board of Directors of North Fort Bend Water Authority convened in regular session on the 23rd day of April, 2014, inside the boundaries of the Authority, and the roll was called of the duly constituted officers and members of the Board, to-wit:

- | | |
|----------------|--------------------------|
| Peter Houghton | President |
| Robert Patton | Vice President |
| Melony Gay | Secretary |
| David Spell | Assistant Secretary |
| Robert Darden | Assistant Vice President |
| Bruce Fay | Director |
| Pat Hebert | Director |

and all of said persons were present except Director(s) _____, thus constituting a quorum. Whereupon, among other business, the following was transacted at the meeting: a written

RESOLUTION ADOPTING AMENDED AND RESTATED WATER CONSERVATION PLAN; PROVIDING FOR IMPLEMENTATION AND ENFORCEMENT THEREOF; AND CONTAINING OTHER PROVISIONS RELATED TO THE SUBJECT

was introduced for the consideration of the Board. It was then duly moved and seconded that the Resolution be adopted; and, after due discussion, the motion, carrying with it the adoption of the Resolution, prevailed and carried unanimously.

2. That a true, full and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; that the Resolution has been duly recorded in the Board's minutes of the meeting; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that the Resolution would be introduced and considered for adoption at the meeting, and each of the officers and members consented, in advance, to the holding of the meeting for such purpose; that the meeting was open to the public as required by law; and that public notice of the time, place and subject of the meeting was given as required by Chapter 551, Texas Government Code, and Section 49.063, Texas Water Code.

SIGNED AND SEALED the 23rd day of April, 2014.

(SEAL)



Melony Gay
Secretary, Board of Directors

PASSED AND APPROVED this 23rd day of April, 2014.

NORTH FORT BEND WATER AUTHORITY



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(SEAL)



RESOLUTION ADOPTING AMENDED AND RESTATED WATER CONSERVATION
PLAN; PROVIDING FOR IMPLEMENTATION AND ENFORCEMENT THEREOF;
AND CONTAINING OTHER PROVISIONS RELATED TO THE SUBJECT

WHEREAS, the Board of Directors (the "Board") of North Fort Bend Water Authority (the "Authority") has carefully considered the current water conditions in the Authority and area-wide and has determined that the adoption of this Amended and Restated Water Conservation Plan (the "Plan") by the Authority is necessary to ensure that an adequate supply of water is maintained; and

WHEREAS, the Board of the Authority desires to evidence its approval of this Plan and to adopt such Plan as the official policy of the Authority and to replace any prior Plan that may have been in effect; NOW, THEREFORE,

BE IT RESOLVED BY THE BOARD OF THE AUTHORITY THAT:

Section 1. Approval of the Plan. The Board of the Authority hereby approves and adopts this Plan as set forth in Appendix "A" to this Resolution.

Section 2. Declaration of Policy, Purpose and Intent. The purpose of the Plan is to promote the efficient and responsible use of water by (1) implementing structural programs that result in quantifiable water conservation results, (2) developing, maintaining and enforcing water conservation policies and requirements, and (3) supporting public education programs that educate customers about water facilities operations, water quantity and quality, water conservation and non-point source protection.

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APPENDIX "A"

WATER CONSERVATION PLAN

The North Fort Bend Water Authority Water Conservation Plan

This Water Conservation Plan (the "Plan") is intended to meet the requirements of the Texas Water Code and the rules promulgated by the Texas Commission on Environmental Quality (the "TCEQ") and the Texas Water Development Board (the "TWDB"). This Plan is a strategy or combination of strategies for reducing the consumption of water, reducing the loss or waste of water, improving or maintaining the efficiency in the use of water, or increasing recycling and reuse of water. It contains best management practice measures to try to meet the targets and goals identified in the Plan.

Section 1. Utility Profile. Profile data for the North Fort Bend Water Authority (the "Authority") is provided in the attached Exhibit 1, Form TWDB-1965. Exhibit 1 includes data on existing and projected service populations, number of connections, historical metered water sales, water production, and general utility systems information. Exhibit 1 shall be updated at least once every five years.

Section 2. Five-year and Ten-year Targets. Although the Authority only provides wholesale water service, the Authority shall use reasonable efforts to work with its wholesale water customers to reduce water loss and municipal use of water. In doing so, the Authority has identified five and ten year goals for water savings and water loss as provided in Exhibit 2, Form TWDB-1964.

Notwithstanding the targets identified in Exhibit 2, the Authority shall not be obligated to achieve any water savings in its water service area, and the Authority's failure to do so shall not subject the Authority to any liability whatsoever.

Section 3. Implementation Schedule. To the extent not already implemented, the following implementation schedule shall be adhered to in order to achieve the Authority's targets and goals.

- A. If no initial system review has previously been conducted, the Authority will complete an initial system review required by Section 4 to determine "unaccounted" for water no later than May 1, 2015.
- B. The Authority shall have master meters required by Section 5 in place no later than May 1, 2015.
- C. The Authority shall meter its delivery of water to its customers, and the Authority's operator shall implement any reasonable program for meter testing and repair, and for periodic replacement, as required by Section 6, no later than May 1, 2015.

- D. The Authority's operator shall implement any reasonable program to determine unaccounted for uses of water, as required by Section 7, no later than May 1, 2015.
- E. The Authority shall implement its educational program described in Sections 9.A. and B. no later than May 1, 2015.

Section 4. Method for Tracking the Implementation and Effectiveness of the Plan. The Authority will complete an initial system review to measure "unaccounted" for water use. The Authority will determine a method to track "unaccounted" for water use and use this information to evaluate annual water use and the implementation and effectiveness of conservation procedures. Progress shall be measured annually, and, at a minimum, evaluate the progress towards meeting the targets and goals of the Plan.

Section 5. Master Meter. The Authority shall have a master meter to measure and account for the amount of water that the Authority produces or receives from the source(s) of supply. All metering devices that monitor the amount of water produced or received by the Authority will be calibrated regularly to ensure an accuracy of plus or minus 5.0%.

Section 6. Universal Metering. The Authority shall meter its delivery of water to its customers and public uses of water, and the Authority's operator shall implement any reasonable program for meter testing and repair, and for periodic meter replacement. However, water used for such public purposes as main or hydrant flushing shall not be required to be metered.

Section 7. Measures to Determine and Control Water Loss. The Authority authorizes the Authority's operator to implement any reasonable program to determine unaccounted for uses of water and to make recommendations to the Authority regarding measures to control such unaccounted for uses of water. Such measures may include periodic visual inspections along distribution lines, annual or monthly audits of the water system to determine illegal connection, investigation of abandoned services.

Section 8. Continuous Program of Leak Detection, Repair, and Water Loss Accounting. The above described measures shall serve as a continuous program of leak detection, repair, and water loss accounting for the water transmission, delivery, and distribution system in order to control water loss.

Section 9. Continuing Public Education and Information. The Authority hereby institutes an educational program, to be implemented as soon as reasonably practicable, to promote the Plan with the general public which should include the following:

- A. Direct distributions, distributed at least annually, to all Authority customers (including wholesale water customers) (together, the "Users"), regarding water conservation; and
- B. Direct distribution of this Plan to the Authority's wholesale water customers, including new customers when they apply for service; and
- C. Requiring its wholesale water customers to adopt water conservation plans.

Additional educational activities may include: (i) conducting an informational school program in a school attended by students within the Authority's service area, or (ii) conducting an educational program for Users at a public place within or accessible to residents of the Authority, (iii) conducting or engaging in such other informational or educational activity designed to further water conservation measures as, in the discretion of the Board of Directors, may be consistent with the purposes and policies of this Plan, (iv) publication of articles in a newspaper or newsletter of general circulation in the Authority's service area, providing information regarding water conservation, or (v) any combination of the foregoing.

Section 10. Non-Promotional Rate Structure. The Authority hereby acknowledges that it has adopted a non-promotional water rate structure, as reflected in its Amended Rate Order which is attached as Exhibit 3. Although the Authority only provides wholesale water service, the Authority shall use reasonable efforts to work with its retail water supply customers regarding their implementation of an increasing block water rate structure that is intended to encourage water conservation and discourage excessive use and waste of water. The Operator will comply with this provision by: (i) providing a copy of this Plan to each of the Authority's wholesale water customers; (ii) investigating the retail rate structure of each of the Authority's wholesale customers and informing the Authority's Board of Directors about any customer that does not have an increasing block rate structure.

Section 11. Implementation and Enforcement. Without limitation to specific actions stated in this Plan to be taken by the Authority's operator, the Authority's operator will administer and enforce this Plan, and will oversee and be responsible for the execution and implementation of all elements of this Plan. The operator shall keep adequate records for Plan verification. The operator shall prepare the required annual report and the required implementation report every five years beginning in 2014. The Authority's operator shall report to the Board of the Authority regarding actions taken and which need to be taken under this Plan. The Authority has the authority under the Texas Water Code to implement and enforce this Plan. The Authority has the ability

under the Texas Water Code to adopt and enforce rules pertaining to prevention of waste and the unauthorized use of water.

Section 12. Coordination with Regional Water Planning Groups. The water service area of the Authority is located within the Region H Regional Water Planning Group and the Authority has provided a copy of the Plan to the Region H Regional Water Planning Group.

Section 13. Five-year Review. The Authority shall review and update the Plan every five years, or more frequently, as appropriate, based on an assessment of previous five-year and ten-year targets and any other new or updated information.

Section 14. Record Management. The Authority authorizes the Authority's operator to establish a record management system to record water delivery, water sales, and water losses.

Section 15. Wholesale Water Customers. The Authority shall require that each successive wholesale customer develop and implement a water conservation plan or water conservation measures in compliance with all applicable rules of the TCEQ or TWDB. This requirement will also extend to each successive wholesale customer in the resale of water.

EXHIBIT 1

**Water Conservation Utility Profile
Form TWDB-1965**

UTILITY PROFILE FOR WHOLESALE WATER SUPPLIER

Fill out this form as completely as possible.
If a field does not apply to your entity, leave it blank.

CONTACT INFORMATION

Name of Utility: North Fort Bend Water Authority

Public Water Supply Identification Number (PWS ID): 0790511

Certificate of Convenience and Necessity (CCN) Number: _____

Surface Water Right ID Number: _____

Wastewater ID Number: _____

Completed By: Lindsay Kovar Title: Project Manager

Address: 10777 Westheimer, Ste 400 City: Houston Zip Code: 77042

Email: lkovar@browngay.com Telephone Number: 7134888253

Date: 4/4/2014

Regional Water Planning Group: H [Map](#)

Groundwater Conservation District: _____ [Map](#)

Check all that apply:

Received financial assistance of \$500,000 or more from TWDB

Have a surface water right with TCEQ

Section I: Utility Data

A. Population and Service Area Data

1. Current service area size in square miles: _____ 141
 (Attach or email a copy of the service area map.)
2. Provide projected and historical service area population below.

Year	Historical Population Served By Wholesale Water Service	Year	Projected Population Served By Wholesale Water Service
2013	202,607	2020	348,356
2012	193,906	2030	527,792
2011	184,960	2040	638,622
2010	177,591	2050	688,481
2009	160,000	2060	715,407

4. Describe the source(s)/method(s) for estimating current and projected populations.

Municipal Information Services (MIS) data for MUDs within the Authority dates back to 1980. MIS used this information and its relationships with developers to provide population forecasts for MUD (i.e., developed) and non-MUD (i.e., undeveloped) areas within the Authority. MIS also used data from 1980, 1990, 2000, and 2010 Censuses to aggregate the MUD and non-MUD data to census tracts. MIS adjusted for census tracts that are only partially or wholly within the Authority's boundary. MIS performed field surveys of development within the Authority to examine the types and level of current residential development activity. MIS incorporated the results of field efforts into its forecast of Authority population through 2025.

The University of Houston Center for Public Policy – Institute for Regional Forecasting, provided a population forecast based on the Small Area Model - Houston (SAM-Houston) of thirteen counties including Fort Bend County. The SAM-Houston model is an econometric model based on the presence of employment centers to sustain population.

The NFBWA population projections for the Texas Water Development Board (TWDB) Regional Water Planning Group 'H' (Region H) are the basis for future population for this update. As described above, MIS's work provided the estimate of population in the MUDs. The future population of the non-MUD areas is estimated as the

B. System Input

Provide system input data for the previous five years.

Total System Input = Self-supplied + Imported

Year	Self-supplied Water in Gallons	Purchased/Imported Water in Gallons	Total System Input	Total gal/day
2013		3,708,975,000	3,708,975,000	10,161,575
2012		2,231,972,000	2,231,972,000	6,114,992
2011		1,275,806,000	1,275,806,000	3,495,359
2010			0	0
2009			0	0
Historic 5-year Average	0	1,443,350,600	1,443,350,600	3,954,385

C. Water Supply System (Attach description of water system)

1. Designed daily capacity of system _____ **27,000,000 gallons per day.**
2. Storage Capacity:
 Elevated _____ **0 gallons**
 Ground _____ **30,000,000 gallons**
3. List all current water supply sources in gallons.

Water Supply Source	Source Type*	Total Gallons
City of Houston	Surface	
	Choose One	
	Choose One	
	Choose One	
	Choose One	
	Choose One	

*Select one of the following source types: *Surface water, Groundwater, or Contract*

4. If surface water is a source type, do you recycle backwash to the head of the plant?
 Yes _____ estimated **gallons per day**
 No

D. Projected Demands

1. Estimate the water supply requirements for the next ten years using population trends, historical water use, economic growth, etc.

Year	Population	Water Demands (gallons)
2015	235,271	12,420,000
2016	258,187	13,750,000
2017	281,095	14,990,000
2018	304,603	16,260,000
2019	327,057	17,470,000
2020	348,356	18,630,000
2021	367,146	19,640,000
2022	386,668	20,710,000
2023	407,044	21,830,000
2024	427,272	22,930,000

2. Describe sources of data and how projected water demands were determined. Attach additional sheets if necessary.

the Authority has implemented the Pumpage Reporting Online System (PROS) for owners to report pumpage. The per capita water demand was determined at the District level based on dividing water demand from 2007 through 2010 reported in PROS by the estimated population for the corresponding year. The per capita water demand was then multiplied by the projected population to determine an overall water demand for the Participants in the Authority.

Fort Bend Subsidence District regulations set two deadlines for groundwater reduction in Regulatory Area A. The first deadline in 2014 requires owners of regulated groundwater wells to reduce groundwater production so that groundwater comprises no more than 70% of their total water demand. The second deadline is in 2025 and requires that groundwater comprise no more than 40% of total water demand (i.e., 60% reduction). For these projections, the 60% reduction requirement is assumed to continue through 2070.

The demand presented above is the surface water demand for the Authority.

E. High Volume Customers

1. If applicable, list the annual water use for the five highest volume customers. Select one of the following water use categories to describe the customer; choose Municipal, Industrial, Commercial, Institutional, or Agricultural.

Customer	Water Use Category*	Annual Water Use	Treated or Raw
Grand Mission MUD#1	Municipal	277,405,000	Treated
North Mission Glen MUD	Municipal	258,464,000	Treated
Cinco Southwest MUD#1	Municipal	251,266,000	Treated
Fort Bend MUD#122	Municipal	250,266,000	Treated
Fort Bend MUD#119	Municipal	247,167,000	Treated

*For definitions on recommended customer categories for classifying customer water use, refer to the online [Guidance and Methodology for Reporting on Water Conservation and Water Use](#).

F. Utility Data Comment Section

Provide additional comments about utility data below.

Section II: System Data

A. Wholesale Connections

1. List the active wholesale connections by major water use category.

Water Use Category*	Active Wholesale Connections		
	Metered	Unmetered	Total Connections
Municipal	23		23
Industrial			0
Commercial			0
Institutional			0
Agricultural			0
TOTAL	23	0	23

*For definitions on recommended customer categories for classifying customer water use, refer to the online [Guidance and Methodology for Reporting on Water Conservation and Water Use](#).

2. List the net number of new wholesale connections by water use category for the previous five years.

Water Use Category*	Net Number of New Wholesale Connections				
	2013	2012	2011	2010	2009
Municipal	10	2	11		
Industrial					
Commercial					
Institutional					
Agricultural					
TOTAL	10	2	11	0	0

*For definitions on recommended customer categories for classifying customer water use, refer to the [Guidance and Methodology for Reporting on Water Conservation and Water Use](#).

B. Wholesale Water Accounting Data - Water Use Categories

- For the previous five years, enter the number of gallons of WHOLESAL water exported (*sold or transferred*) to each major water use category.

Customer Category*	Total Gallons of Wholesale Water				
	2013	2012	2011	2010	2009
Municipal	3,608,379,000	2,187,476,000	1,090,314,000		
Industrial					
Commercial					
Institutional					
Agricultural					
TOTAL	3,608,379,000	2,187,476,000	1,090,314,000	0	0

*For definitions on recommended customer categories for classifying customer water use, refer to the online [Guidance and Methodology for Reporting on Water Conservation and Water Use](#).

C. Wholesale Water Accounting Data - Annual and Seasonal Use

For the previous five years, enter the number of gallons exported (*sold or transferred*) to WHOLESALE customers.

Month	Total Gallons of Treated Water				
	2013	2012	2011	2010	2009
January	159,509,000	111,631,000	0		
February	153,881,000	55,134,000	0		
March	201,546,000	40,007,000	6,540,000		
April	195,335,000	177,547,000	18,395,000		
May	259,291,000	224,676,000	65,943,000		
June	308,970,000	198,596,000	116,862,000		
July	364,112,000	216,164,000	131,944,000		
August	399,626,000	274,261,000	174,042,000		
September	469,922,000	259,561,000	167,596,000		
October	411,319,000	225,908,000	150,283,000		
November	351,483,000	216,927,000	134,529,000		
December	333,385,000	187,064,000	124,180,000		
TOTAL	3,608,379,000	2,187,476,000	1,090,314,000	0	0

Month	Total Gallons of Raw Water				
	2013	2012	2011	2010	2009
January					
February					
March					
April					
May					
June					
July					
August					
September					
October					
November					
December					
TOTAL	0	0	0	0	0

WHOLESALE	2013	2012	2011	2010	2009	Average in Gallons
Summer Wholesale (Treated + Raw)	1,072,708,000	689,021,000	422,848,000	0	0	436,915,400 5yr Average
TOTAL Wholesale (Treated + Raw)	3,608,379,000	2,187,476,000	1,090,314,000	0	0	1,377,233,800 5yr Average

D. Water Loss

Provide Water Loss Data for the previous five years.

Water Loss GPCD = [Total Water Loss in Gallons ÷ Permanent Population Served] ÷ 365

Water Loss Percentage = [Total Water Loss ÷ Total System Input] x 100

Year	Total Water Loss in Gallons	Water Loss per day	Water Loss as a Percentage
2013	99,832,000	1	3%
2012	13,205,000	0	1%
2011	185,492,000	3	15%
2010		0	0%
2009		0	0%
5-year average	59,705,800	1	4%

E. Peak Day Use

Provide the Average Daily Use and Peak Day Use for the previous five years.

Year	Average Daily Use (gal)	Peak Day Use (gal)	Ratio (Peak/Avg)
2013			
2012			
2011			
2010			
2009			

F. Summary of Historic Water Use

Water Use Category	Historic 5-year Average	Percent of Water Use
Municipal	1,377,233,800	100%
Industrial	0	0%
Commercial	0	0%
Institutional	0	0%
Agricultural	0	0%

G. Wholesale System Data Comment Section

Provide additional comments about wholesale system data below.

The majority of water loss represents flushing and filling of new water mains.
 Data to calculate peak day use was not available.

Section III: Wastewater System Data

If you do not provide wastewater system services then you have completed the Utility Profile. Save and Print this form to submit with your Plan. Continue with the Water Conservation Plan Checklist to complete your Water Conservation Plan.

A. Wastewater System Data (Attach a description of your wastewater system)

- Design capacity of wastewater treatment plant(s): _____ gallons per day.
- List the active wastewater connections by major water use category.

Water Use Category*	Active Wastewater Connections			
	Metered	Unmetered	Total Connections	Percent of Total Connections
Municipal			0	0%
Industrial			0	0%
Commercial			0	0%
Institutional			0	0%
Agricultural			0	0%
TOTAL	0	0	0	

*For definitions on recommended customer categories for classifying customer water use, refer to the online [Guidance and Methodology for Reporting on Water Conservation and Water Use](#).

- What percent of water is serviced by the wastewater system? ____%
- For the previous five years, enter the number of gallons of wastewater that was treated by the utility.

Month	Total Gallons of Treated Water				
	2013	2012	2011	2010	2009
January					
February					
March					
April					
May					
June					
July					
August					
September					
October					
November					
December					
TOTAL	0	0	0	0	0

4. Could treated wastewater be substituted for potable water?

Yes No

B. Reuse Data

1. Provide data on the types of recycling and reuse activities implemented during the current reporting period.

Type of Reuse	Total Annual Volume (in gallons)
On-site irrigation	
Plant wash down	
Chlorination/de-chlorination	
Industrial	
Landscape irrigation (parks, golf courses)	
Agricultural	
Discharge to surface water	
Evaporation pond	
Other	
TOTAL	0

C. Wastewater System Data Comment

Provide additional comments about wastewater system data below.

You have completed the Utility Profile. Save and Print this form to submit with your Plan. Continue with the [Water Conservation Plan Checklist](#) to complete your Water Conservation Plan.

EXHIBIT 2

**Five and Ten Year Goals for Water Savings
Form TWDB-1964**

WATER CONSERVATION PLAN 5- AND 10-YR GOALS FOR WATER SAVINGS

Facility Name: North Fort Bend Water Au

Water Conservation Plan Year: 2014

	Historic 5yr Average	Baseline	5-yr Goal for year <u>2019</u>	10-yr Goal for year <u>2024</u>
Total GPCD ¹	174	175	172	168
Residential GPCD ²	N/A	N/A	N/A	N/A
Water Loss (GPCD) ³	1.43	1.4	3	5
Water Loss (Percentage) ⁴	1 %	1 %	2 %	3 %

1. Total GPCD = (Total Gallons in System ÷ Permanent Population) ÷ 365
2. Residential GPCD = (Gallons Used for Residential Use ÷ Residential Population) ÷ 365
3. Water Loss GPCD = (Total Water Loss ÷ Permanent Population) ÷ 365
4. Water Loss Percentage = (Total Water Loss ÷ Total Gallons in System) x 100; or (Water Loss GPCD ÷ Total GPCD) x 100

EXHIBIT 3

Rate Order

CERTIFICATE FOR ORDER

THE STATE OF TEXAS §
COUNTIES OF FORT BEND AND HARRIS §

I, the undersigned officer of the Board of Directors of the North Fort Bend Water Authority, do hereby certify as follows:

1. The Board of Directors of the North Fort Bend Water Authority convened in regular session on the 19th day of December, 2013, inside the boundaries of the Authority, and the roll was called of the members of the Board:

- | | |
|----------------|--------------------------|
| Peter Houghton | President |
| Robert Patton | Vice President |
| Melony Gay | Secretary |
| David Spell | Assistant Secretary |
| Robert Darden | Assistant Vice President |
| Bruce Fay | Director |
| Pat Hebert | Director |

and all of said persons were present except Director ^{Houghton}~~Spell~~, thus constituting a quorum. Whereupon, among other business, the following was transacted at the meeting: a written

AMENDED RATE ORDER

was introduced for the consideration of the Board. It was then duly moved and seconded that the Amended Rate Order be adopted; and, after due discussion, the motion, carrying with it the adoption of the Amended Rate Order, prevailed and carried unanimously.

2. A true, full, and correct copy of the aforesaid Amended Rate Order adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; the action approving the Amended Rate Order has been duly recorded in the Board's minutes of the meeting; that the persons named in the above and foregoing paragraph are the duly chosen, qualified, and acting officers and members of the Board as indicated therein; each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the aforesaid meeting, and that the Amended Rate Order would be introduced and considered for adoption at the meeting, and each of the officers and members consented, in advance, to the holding of the meeting for such purpose; the meeting was open to the public as required by law; and public notice of the time, place, and subject of the meeting was given as required by Chapter 551, Texas Government Code, and Section 49.063, Texas Water Code.

SIGNED AND SEALED the 19th day of December, 2013.



Melony Gay
Secretary, Board of Directors

(SEAL)



NORTH FORT BEND WATER AUTHORITY
AMENDED RATE ORDER

STATE OF TEXAS	§
	§
COUNTIES OF FORT BEND AND HARRIS	§

WHEREAS, the North Fort Bend Water Authority (the "Authority") is a regional water authority created pursuant to Senate Bill 1798 of the 79th Legislature, as amended (the "Act"), which amended the Special District Local Laws Code by adding Chapter 8813 ("Section 8813"), and Article XVI, Section 59 of the Texas Constitution; and

WHEREAS, the Authority was created, among other purposes, to accomplish the purposes of Article XVI, Section 59 of the Texas Constitution, including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge of groundwater and of groundwater reservoirs or their subdivisions, the prevention of waste of groundwater, and the control of subsidence caused by the withdrawal of water from groundwater reservoirs or their subdivisions; and

WHEREAS, the Act provides that the Authority may: (1) provide for the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and for the reduction of groundwater withdrawals as necessary to develop, implement, or enforce a groundwater reduction plan, in a manner consistent with the purposes of Section 59, Article XVI, Texas Constitution; and (2) acquire or develop surface water and groundwater supplies from sources inside or outside the boundaries of the Authority and may conserve, store, transport, treat, purify, distribute, sell, and deliver water to or among persons, corporations, municipalities, municipal corporations, political subdivisions of the state, and others, inside and outside the boundaries of the Authority, and allocate water among persons participating in the Authority's groundwater reduction plan whether they are located inside or outside the Authority's boundaries; and

WHEREAS, the Act authorizes the Authority to establish fees, user fees, rates, and charges and classifications of fee and ratepayers, as necessary to enable the Authority to fulfill its purposes and regulatory functions provided in the Act; and

WHEREAS, Section 8813.008 provides that the Authority may establish fees, user fees, rates, charges, or special assessments, that are necessary to pay for the costs of accomplishing the purposes of the Authority, including: (1) the reduction of groundwater withdrawals; (2) the facilitation of compliance with the requirements of the Fort Bend Subsidence District or the Harris Galveston Subsidence District, as applicable; and (3) the provision of services, facilities, and systems; and



WHEREAS, prior to the Board's adoption of the GRP Fee and Surface Water Fee hereinafter set forth in this Amended Rate Order, the Board provided municipalities and districts within the Authority written notice of the date, time, and location of the meeting at which the Board would adopt the GRP Fee and Surface Water Fee, and the amount of said fees; and

WHEREAS, the Board has determined that the fees, user fees, rates, and charges established in this Amended Rate Order are necessary to accomplish those purposes set forth in the Act; and

WHEREAS, it is necessary that the Authority establish fees, user fees, rates, charges, and conditions and terms of service from the Authority System, the Authority's GRP and any other services provided by the Authority, and rules related thereto;

NOW, THEREFORE, IT IS ORDERED BY THE BOARD OF DIRECTORS OF THE NORTH FORT BEND WATER AUTHORITY THAT:

ARTICLE I DEFINITIONS

Section 1.01. Definitions. As used herein, the following terms shall have the respective meanings set forth or referred to below:

"Act" means Senate Bill 1798 of the 79th Texas Legislature, as amended.

"Authority" means the North Fort Bend Water Authority.

"Authority Engineer" means the Authority's general operating engineer (currently Brown & Gay Engineers, Inc.), which may be changed from time to time by the Authority.

"Authority Operator" means the operating company performing operations for the Authority (currently SWWC Services, Inc.), which may be changed from time to time by the Authority.

"Authority System" means the Authority's facilities, pipelines, storage tanks, conduits, canals, pumping stations, treatment plants, meters, valves, and any other construction, device, or related appurtenance or connection used to treat, transport, or store Surface Water, including all easements, rights-of-way, and sites owned or utilized by the Authority, together with all Authority rights related thereto.

"Board" means the Board of Directors of the Authority.

"Chloramine System" is defined hereinafter.



“Commission” means the Texas Commission on Environmental Quality, and any successor agency.

“Control Valve Assembly” is defined hereinafter.

“Converted Customer” means a District (or other Authority customer) whose water supply facilities have been actually and directly connected to the Authority’s System and who is actually receiving Surface Water directly from the Authority’s System. A District that merely has a water interconnect with (or receives water through a water interconnect from) a Converted Customer is not considered a Converted Customer, unless said District’s own water supply facilities have been actually and directly connected to the Authority’s System and said District is itself actually receiving Surface Water directly from the Authority’s System.

“Current Calendar Year” is defined hereinafter.

“District” means any district created pursuant to Article III, Section 52(b)(1), (2) or Article XVI, Section 59, Texas Constitution, regardless of the manner of creation other than a navigation district or a district governed by Chapter 36 of the Texas Water Code.

“Delivery Point” is defined hereinafter.

“Exempt Well” means a Well with a casing diameter of less than five inches that solely serves a single family dwelling, a Well that is regulated under Chapter 27 of the Texas Water Code, or a Well that is not subject to any groundwater reduction requirement imposed by the FBSD or HGSD (as appropriate).

“FBSD” means the Fort Bend Subsidence District.

“GRP” means that certain groundwater reduction plan adopted by the Authority’s in March 2008, as amended; and all directives, determinations and requirements issued by the Authority (or the Authority Engineer or Authority Operator) pursuant to such plan, as all of same may be amended from time to time.

“GRP Fee” means the groundwater reduction plan fee/rate adopted by the Board pursuant to Section 8813.103 and set forth hereinafter.

“HGSD” means the Harris Galveston Subsidence District.

“Houston” means the City of Houston, Texas.

“Interest Rate” is defined hereinafter.

“Maximum Daily Amount” is defined hereinafter.

“Minimum Daily Amount” is defined hereinafter.



“Non-Exempt Well” means any Well within the Authority other than an Exempt Well.

“Person” means any individual, corporation, organization, government or governmental subdivision or agency, District, municipality, county, political subdivision, business trust, trust, estate, partnership, association, or any other legal entity.

“Rate Order” means this Amended Rate Order.

“Realty Interest Document” means a written document (in a form acceptable to the Authority) that grants the following rights to the Authority across, along, under, over, and upon any property (whether or not a water plant site) owned by a Person, or in which a Person has any interest: (i) water line and/or water meter easement(s), (ii) consent to conveyance of Authority easement(s), (iii) subordination of a Person’s realty interests to the Authority’s rights under Authority easement(s), or (iv) any other property interest necessary or convenient for the Authority to provide and/or meter Surface Water delivered by the Authority to any Authority customers.

“Shut-off Valve(s)” means the shutoff valve(s) installed by the Authority or the Person in the Surface Water line(s) on a Person’s water plant site(s).

“Surface Water” means water (whether surface, ground, or a blend of both) that is delivered through or by the Authority System.

“Surface Water Availability Date” means the date Surface Water is generally available to a Person, as determined by the sole discretion of the Authority

“Surface Water Fee” means the surface water fee/rate adopted by the Board pursuant to Section 8813.103 of the Act and set forth hereinafter.

“Three Year Time-Period” means the three year time-period preceding the date Surface Water is generally available to a Person, as determined by the sole discretion of the Authority.

“Water Line Tank Connection” is defined hereinafter.

“Well” means a facility, device, or method used to withdraw groundwater: (i) from a groundwater source that is located within the boundaries of the Authority; or (ii) from a groundwater source that is located outside the boundaries of the Authority, but is part of the GRP pursuant to a written contract with the Authority.

Section 1.02. Interpretations. The article and section headings of this Rate Order are included herein for convenience of reference purposes only and shall not constitute a part of this Rate Order or affect its interpretation in any respect. Except where the



context otherwise requires, words imparting the singular number shall include the plural and vice versa.

Section 1.03. References, Etc. Any reference in this Rate Order to a document shall mean such document and all exhibits thereto as amended or supplemented from time to time.

ARTICLE II FINDINGS

Section 2.01. Findings. Each of the recitals stated in this Rate Order are hereby adopted as a finding of the Board. All statutory requirements and conditions (including those of Section 8813.103) have been met for the establishment of those fees, user fees, rates and charges set forth in this Rate Order.

ARTICLE III RATES AND CHARGES

Section 3.01. GRP Fee. The Board hereby adopts a GRP Fee pursuant to Section 8813.103. The owner of each Non-Exempt Well within the Authority shall pay the Authority the GRP Fee for monthly pumpage, as provided in this Section. Effective January 1, 2013, the GRP Fee shall be equal to \$2.20 for each 1,000 gallons of water pumped from each Non-Exempt Well. Payment of the GRP Fee is due by the last day of the month following the month for which pumpage is required to be calculated (the "Due Date"). (For example, payment for January pumpage is due by February 28th; payment for February pumpage is due by March 31st; etc.) The Authority will not send invoices or billings to Non-Exempt Well owners for the amount of GRP Fees that are due. Each Non-Exempt Well owner shall be responsible for remitting to the Authority the GRP Fee on or before the Due Date. The GRP Fee for any billing period beginning on or after January 1, 2013, shall be calculated on the form promulgated by the Authority and attached hereto as Exhibit "A", which form shall be provided by the Non-Exempt Well owner to the Authority with the owner's monthly GRP Fee payment. Each Non-Exempt Well owner shall complete the appropriate form and provide it to the Authority monthly, even if the Non-Exempt Well owner's pumpage was zero. If the user had both Well pumpage and Surface Water usage during a month, then the user shall report the amount of each on the form promulgated by the Authority.

Section 3.02. Surface Water Fee. The Board hereby adopts a Surface Water Fee pursuant to Section 8813.103. Each Person that receives Surface Water from the Authority shall pay the Authority the Surface Water Fee for Surface Water received monthly, as provided in this Section. Effective January 1, 2013, the Surface Water Fee shall be equal to \$2.55 for each 1,000 gallons of Surface Water received. Payment of the Surface Water Fee is due by the last day of the month following the month for which Surface Water usage is required to be calculated, the Due Date. (For example, payment



for January Surface Water usage is due by February 28th; payment for February Surface Water usage is due by March 31st; etc.) The Authority will not send invoices or billings to Surface Water users for the amount of Surface Water Fees that are due. Each Surface Water user shall be responsible for remitting to the Authority the Surface Water Fee on or before the due date. The Surface Water Fee for any billing period beginning on or after January 1, 2013, shall be calculated on the form promulgated by the Authority and attached hereto as Exhibit "A", which form shall be provided by the Surface Water user to the Authority with the user's monthly Surface Water Fee payment. Each Surface Water user shall complete the appropriate form and provide it to the Authority monthly, even if the user's Surface Water use was zero. If the user had both Well pumpage and Surface Water usage during a month, then the user shall report the amount of each on the form promulgated by the Authority.

Section 3.03. Imported Water Fee. If the owner of a Non-Exempt Well ever obtains (or participates in the obtaining of) water from any source outside the Authority's boundaries, other than the purchase of water from the Authority subject to Section 3.02, to serve all or any portion of the property it serves (the "Imported Water"), then such owner of a Non-Exempt Well must immediately notify the Authority in writing of its intention to receive Imported Water, regardless of whether the Non-Exempt Well owner is obtaining water due to an emergency situation, a scheduled system repair, or any other reason. Notification of interconnect use shall be submitted on the Authority's official Interconnect Notification Form, which may be obtained via the Authority's website. Notification of imported water from any other source must be submitted in writing to the Authority.

If the Non-Exempt Well owner is experiencing an emergency situation and receiving surface water from the Authority, then the Non-Exempt Well owner will be charged the Imported Water Fee (as set forth below). Notwithstanding the foregoing, if special circumstances, as determined in the sole discretion of the Authority, exist in which the Authority is unable to deliver water to the Non-Exempt Well owner, then the Imported Water Fee shall not be imposed. If the Non-Exempt Well owner is experiencing an emergency situation, as determined in the sole discretion of the Authority, but is not receiving surface water from the Authority, then the Non-Exempt Well owner shall not be charged an Imported Water Fee on the Imported Water that it receives during a period not to exceed 60 consecutive or inconsecutive days during any calendar year. Such time period may be extended by the Authority, in its sole discretion and as appropriate, on a case by case basis considering the circumstances of the particular emergency.

If the Non-Exempt Well owner is obtaining Imported Water due to system repairs and receiving surface water from the Authority, then the Non-Exempt Well owner will be charged the Imported Water Fee (as set forth below). Notwithstanding the foregoing, if special circumstances exist in which the Authority is unable to deliver



water, as determined in the sole discretion of the Authority, to the Non-Exempt Well owner, then the Imported Water Fee shall not be imposed. If the Non-Exempt Well owner is obtaining Imported Water due to system repairs, but is not receiving surface water from the Authority, then the Non-Exempt Well owner must not only notify the Authority of its intention to receive Imported Water, but also obtain the Authority's written approval, which will be provided at the Authority's sole discretion. Should the Authority grant its approval, then the Non-Exempt Well owner shall not be charged an Imported Water Fee on the Imported Water that it receives during a period not to exceed 60 consecutive or inconsecutive days during any calendar year. Such time period may be extended by the Authority, in its sole discretion and as appropriate, on a case by case basis taking into account the scope and significance of the system repairs.

If applicable to the Non-Exempt Well owner's situation as set forth above, the Non-Exempt Well owner must pay to the Authority monthly the following Imported Water Fee: (i) the then-current GRP Fee applied on all Imported Water, if the Authority is not then providing surface water to the Non-Exempt Well owner; or (ii) the then-current Surface Water Fee applied on all Imported Water, if the Authority, in its sole discretion, is then providing surface water to the Non-Exempt Well owner. The Imported Water Fee is due and payable to the Authority monthly at the same time as the Non-Exempt Well owner's GRP Fee or Surface Water Fee payment, even if the Non-Exempt Well owner also pays another entity for the Imported Water and even if the Authority is not then providing any water to the Non-Exempt Well owner. The Imported Water Fee for any billing period beginning on or after January 1, 2013, shall be calculated on the form promulgated by the Authority and attached hereto as Exhibit "A", which form shall be provided by the Non-Exempt Well owner to the Authority with the Non-Exempt Well owner's monthly Imported Water Fee payment. Each Non-Exempt Well owner shall complete such form and provide it to the Authority monthly, even if the Non-Exempt Well owner's pumpage was zero.

The Non-Exempt Well Owner may submit a variance request to the authority detailing the special circumstances and any supporting reasons for which the Imported Water Fee should not be assessed in that particular situation. Such variance request must be submitted within 30 days of the earlier of either (a) the date on which the Non-Exempt Well owner receives written notification from the Authority that an Imported Water Fee will be charged to the Non-Exempt Well owner, or (b) the date on which the Non-Exempt Well owner self-reported receiving Imported Water via PROS. The Authority will consider the variance request and advise the Non-Exempt Well owner of its decision. The Authority's decision shall be final, and should the Authority deny the variance request, all outstanding amounts due related to the Imported Water Fee shall be due and payable to the Authority within 30 days of written notification from the Authority alerting the Non-Exempt Well owner of the variance denial.



Section 3.04. Payment of Fees. All fees payable to the Authority shall be paid in money which is legal tender in the United States of America. Payments will be accepted only by check or money order made payable to the "North Fort Bend Water Authority" or by wire transfer according to written wiring instructions provided by the Authority. No cash will be accepted. All payments must be received by the bookkeeper of the Authority (currently, AVANTA Services, 5635 Northwest Central Drive, Suite 104E, Houston, Texas 77092) by the Due Date. Written wire instructions are available upon request.

Section 3.05. Special Assessments. Section 8813.105 allows the Board to impose special assessments. To date, the Board has not imposed such special assessments. The Board reserves the right to impose such special assessments at any time by adopting a resolution, rule, requirement, or order (or amendment to this Rate Order) that expressly provides for the imposition of such special assessments.

ARTICLE IV WELL PUMPAGE

Section 4.01. Self-Reporting. Each Non-Exempt Well owner shall be responsible for reading the meter which measures the amount of water pumped from each Non-Exempt Well at the end of each month. Such measurement (even if it shows zero pumpage for the month) shall be reported to the Authority on the reporting form promulgated by the Authority: (i) available electronically on the Authority's Pumpage Reporting Online System ("PROS"), or (ii) if the Authority determines that PROS access is not reasonably available to a Person, then reporting may be made via the non-electronic reporting form attached hereto as Exhibit "A," provided permission to use the non-electronic reporting form is obtained in writing from the Authority. Along with the owner's monthly GRP Fee payment, the owner shall provide the reporting form to the Authority no later than the last day of the second month following the month for which pumpage is required to be calculated. (For example, the reporting form for January pumpage is due by February 28th; the reporting form for February pumpage is due by March 31st; etc.). All Persons shall provide their monthly reporting forms to the Authority electronically via PROS and, if requested by the Authority, also in non-electronic, written format. The Authority reserves the right to request more frequent reporting, at its sole discretion.

Section 4.02. Audits. The Authority shall have the right to audit the Well pumpage measurements submitted by the Well owner by reading the meter at the Well. In addition, the Authority, at its discretion, may read the meter for any other reason. If a Well owner reports an amount of pumpage to the Authority that differs from the amount of pumpage that the Authority determines occurred based on the Authority's reading of the meter, or if a well Owner reports an amount of pumpage to the FBSD that differs from the amount of pumpage that the Well owner reports to the Authority, the Authority may utilize any of said amounts to determine the total GRP Fees due the



Authority. If such Authority determination shows that the Well owner underpaid the Authority, then, in addition to all other remedies available to the Authority, the Authority may invoice the Well owner for the shortfall. (Any such invoice will be due to the Authority no later than the date provided in the invoice.) If such Authority determination shows that the Well owner overpaid the Authority, then the Authority may pay the Well owner the amount of the overage. Notwithstanding the previous two sentences, the Board may refrain from sending invoices for shortfalls and/or payments for overages that are below any threshold amount that is from time to time determined by the Board.

Section 4.03. Failure to Read Meter. In the event a Non-Exempt Well owner fails to read the meter, which measures the amount of water pumped from its Well, the Authority shall have the right to read the meter. The Authority may establish the Well owner's GRP Fee based on the Authority's reading, regardless of when the Authority reads the meter.

Section 4.04. Accuracy of Meters. Each Non-Exempt Well owner shall be responsible to install and maintain a Well meter on each Non-Exempt Well that is at least 95% accurate. If the Authority at any time believes that the meter is less than 95% accurate, it may notify the Well owner and require that such meter be independently tested and the results reported to the Authority. If the testing reveals that the meter is at least 95% accurate, the Authority shall pay the cost of such testing and the cost of any necessary temporary meter used. If the testing reveals that the meter is less than 95% accurate, then the Well owner shall pay the cost of such testing, the cost of any necessary temporary meter used, and the cost to recalibrate the meter such that it is at least 95% accurate, and the owner shall be responsible for payment to the Authority of the GRP Fee for unread gallons, as determined by the Authority. If the owner refuses to test the meter after the Authority requires it to do so, the Authority may remove the Well meter for independent testing and recalibration, and replace it with a temporary meter. The Authority shall pay for the cost of such testing and temporary meter, unless the results show that the meter was less than 95% accurate, in which case the Well owner shall be responsible for the cost of testing and recalibration of the meter, the cost of the temporary meter, and payment to the Authority of the GRP Fee for unread gallons, as determined by the Authority. Payment of the GRP Fee under this Section, for unread gallons resulting from a meter that is less than 95% accurate, shall be due to the Authority within 45 days after the Authority submits an invoice to the Well owner for same.

Section 4.05. Fort Bend Subsidence District Water Well Permitting. The FBSD has issued an aggregate water well permit to the Authority comprising all of the permitted non-exempt groundwater production for the Authority's GRP within Fort Bend County. The Authority shall be responsible for all administrative matters related to the aggregate water well permit, including permit renewal, payment of permit fees, requests for permit rebates, and year-end pumpage reporting requirements. Each Well



owner listed on the Authority's aggregate water well permit shall provide the Authority data and information required by the Authority for the Authority to prepare and file documents with the FBSD related to well permitting. Each Non-Exempt Well owner shall maintain: (i) ownership of its Well(s) and operational responsibility therefor, and (ii) subject to groundwater reduction requirements imposed by the Authority, the terms of the GRP, and any limitations imposed by the FBSD, the right to pump from such Well(s) the amount of groundwater reasonably determined by such owner to be needed by such owner, for itself or for its customers, to provide water in accordance with at least the minimum regulatory requirements for pressure and supply, including, without limitation, during an emergency requiring immediate use of groundwater (such as for firefighting purposes) so long as such owner is not committing waste or being wasteful. For purposes of this provision "waste" and "wasteful" shall have the most restrictive meaning ascribed to such terms in the following: (i) the Special District Local Laws Code Chapter 8834 with respect to Non-Exempt Wells in the FBSD, (ii) rules or requirements of the FBSD with respect to Non-Exempt Wells in the FBSD, or (iii) the terms of the aggregate water well permit issued to the Authority.

Section 4.06. Well Procedures. All requests for new Wells or changes in status to existing Wells subject to the Authority's GRP must first be submitted to the Authority and shall not be submitted directly to Fort Bend Subsidence District. Requests must be submitted to the Authority on the New Well or Activity Status Change Request form attached as Exhibit B.

ARTICLE V SURFACE WATER USE AND CONVERSION

Section 5.01. Self-Reporting. Each Surface Water user shall be responsible for reading the meter, which measures the amount of Surface Water delivered by the Authority, at the end of each month. Such measurement (even if it shows zero Surface Water usage for the month) shall be reported to the Authority on the reporting form promulgated by the Authority and attached hereto as Exhibit "A". Along with the user's monthly Surface Water Fee payment, the user shall provide the reporting form to the Authority no later than the last day of the second month following the month for which Surface Water usage is required to be calculated. (For example, the reporting form for January Surface Water usage is due by February 28th; the reporting form for February Surface Water usage is due by March 31st; etc.) All Persons shall provide their monthly reporting forms to the Authority electronically via the Authority's PROS and, if requested by the Authority, also in non-electronic written format. If the Authority determines in writing that PROS access is not reasonably available to a Person, then the Authority may allow such Person to provide its monthly reporting forms to the Authority in non-electronic written format. The Authority reserves the right to request more frequent reporting, at its sole discretion.



Section 5.02. Audits. The Authority shall have the right to audit the Surface Water usage measurements submitted by the Surface Water user by reading the Surface Water meter. In addition, the Authority, at its discretion, may read the meter for any other reason.

Section 5.03. Failure to Read Meter. In the event a Surface Water user fails to read the meter, which measures the amount of Surface Water delivered, the Authority shall have the right to read the meter. The Authority may establish the Surface Water user's Surface Water Fee based on the Authority's reading, regardless of when the Authority reads the meter.

Section 5.04. Delivery Point and Measuring and Control Equipment. The delivery point of water (the "Delivery Point") by the Authority to a Person receiving Surface Water shall be the output flange of the meter and control valve assembly (collectively, the "Control Valve Assembly") installed by the Authority to serve such Person. No Person shall connect to the Authority System, unless and until the Authority consents in writing to such connection. If the Authority, at its option, so consents, the connection shall be made, provided the connection: (i) is in strict conformity with the terms and conditions of such Authority consent, (ii) has prior approval for the connection from the Commission, and (iii) meets all applicable Commission requirements. The Authority shall furnish, install, and operate, at its own expense, at the Delivery Point the necessary equipment and devices of standard type for measuring the quantity of Surface Water delivered by the Authority. Such Control Valve Assembly and other equipment installed by the Authority shall remain the property of the Authority.

Section 5.05. Testing of Measuring Equipment. The Authority may from time to time test the measuring equipment. Should the test of the measuring equipment show that the equipment is registering more than one hundred two percent (102%) or less than ninety-five percent (95%) of the water delivered, the total quantity of water delivered to the Person will be deemed to be the average daily consumption as measured by the measuring equipment when in working order, and the meter shall be corrected, repaired, or replaced by the Authority with accurate measuring equipment. In such event, the Person's payments for Surface Water to the Authority shall be adjusted (increased or decreased) for a period extending back to the time when the inaccuracy began, if such time is ascertainable; and if such time is not ascertainable, for a period extending back to the last test of the measuring equipment or 120 days, whichever is shorter.

Section 5.06. Delivery, Facilities and Title to Water. Each Person receiving Surface Water from the Authority shall be responsible to deliver water from the Delivery Point to and into the Person's water system. The Authority, and not the Person receiving Surface Water from the Authority, shall own, operate, and maintain: (i) any sensor equipment installed by the Authority on the Person's ground storage tank



facilities or other water plant facilities and related electrical and control connections by conduit pipe, or other means, connecting such sensor equipment to the Authority's facilities (the "Sensor Line and Equipment"); and (ii) the Control Valve Assembly installed by the Authority. The Person receiving Surface Water from the Authority, and not the Authority, shall own, operate, and maintain all equipment, facilities, tanks, buildings, materials, wells, and lines downstream of the Control Valve Assembly, except for the Sensor Line and Equipment, and shall be responsible for any malfunctions of said items, including tank overflows. Unless otherwise agreed to in writing by the Authority, the Person receiving Surface Water from the Authority shall at all times, at the Person's expense, maintain an air gap, in accordance with a location and specifications approved by the Authority, downstream of the Delivery Point before the water delivered by the Authority enters the Person's ground storage tank(s); provided, however, the Authority, at its option, may provide an alternative backflow prevention procedure or mechanism. Title to, possession, and control of Surface Water shall remain with the Authority until it passes through the Control Valve Assembly, where title to, possession, and control of the Surface Water shall pass from the Authority to the Person receiving same.

Section 5.07. Chloramine Disinfection. Usually, Surface Water delivered by the Authority will be disinfected with chloramines. Each Converted Customer is required to: (i) convert its water treatment system to a chloramine disinfection system, or install a chloramine disinfection system, prior to becoming a Converted Customer and no later than the date required by the Authority; and (ii) maintain use of such chloramine disinfection system thereafter for so long as such Converted Customer is connected to the Authority's System and for so long as the Surface Water delivered by the Authority is disinfected with chloramines. The Authority shall provide notice to each Person to be Converted to Surface Water of the required conversion to chloramines. It shall be the responsibility of each Converted Customer (and each Person that receives water from a Converted Customer, for example and without limitation, via a water interconnect), and not the Authority, to: (i) notify such Converted Customer's (or such Person's) water customers and water users about its conversion to and use of chloramine disinfection; (ii) comply with any applicable United States Environmental Protection Agency and Commission (and other applicable agency) regulations and requirements, and applicable laws; and (iii) comply with any applicable Commission regulations and requirements, including the variance process for chloramines conversion and approval for interconnections. Prior to completion of design (and commencement of construction) of the chloramine disinfection system required by this Section, the Person to be converted to Surface Water shall submit plans and specifications to the Authority's Engineer for review and approval. ANY SUCH APPROVAL DOES NOT RELIEVE THE PERSON, AND ITS ENGINEER, OF ADEQUATELY DESIGNING AND CONSTRUCTING THE FACILITIES AND ANY SUCH APPROVAL IS NOT AN ASSUMPTION BY THE AUTHORITY (OR THE AUTHORITY'S ENGINEER) OF RESPONSIBILITY OR LIABILITY FOR THE ADEQUACY (OR INADEQUACY) OF



SUCH PLANS AND SPECIFICATIONS OR THE FACILITIES CONSTRUCTED THEREBY, ALL OF SAME BEING EXPRESSLY DISCLAIMED.

Section 5.08. Daily Amount. The Authority, the Authority Engineer, or the Authority Operator may from time to time designate a maximum daily amount of Surface Water (the "Maximum Daily Amount") to be taken by a Person and/or a minimum daily amount of Surface Water ("Minimum Daily Amount") to be taken by a Person. In such event, during any one day, no Person shall take from the Authority more than either the Maximum Daily Amount or less than the Minimum Daily Amount. The Authority may from time to time increase or decrease a Person's Maximum Daily Amount and/or Minimum Daily Amount, as determined necessary by the Authority, the Authority Engineer, or the Authority Operator. If in violation of this Rate Order, and in addition to all other remedies available to the Authority (including, without limitation, those set forth in this Rate Order), a Person takes more than its Maximum Daily Amount or less than its Minimum Daily Amount in any one day, the Person shall be responsible for payment for any damages suffered by the Authority and payment for any charges incurred by the Authority related thereto (including, without limitation, any charges or fees charged to the Authority by Houston, the FBSD, or the HGSD).

Section 5.09. Quantity or Pressure of Water. Notwithstanding any provision of this Rate Order, and unless otherwise specified in a water supply commitment agreement, the Authority does not and will not guarantee to any Person a specific quantity or pressure of water for any purpose whatsoever. Unless such a water supply commitment agreement is in place, the above limitations on quantity and pressure may be inadequate to fulfill the Commission's regulations and requirements for capacity and water quality. In no case shall the Authority be liable for the failure or refusal to furnish water or any particular amount or pressure of water.

Section 5.10. Interruptions in Service. The Authority shall use reasonable efforts to deliver to any Person with whom the Authority has entered into a written water supply commitment agreement a constant and uninterrupted supply of Surface Water in the amount provided in such agreement. Notwithstanding any provision of this Rate Order or any applicable agreement entered into by the Authority, the Authority may interrupt, reduce, or cease deliveries of Surface Water if such interruption or reduction is necessary: (i) due to limitations in the Authority System or Houston's water system; (ii) in case of emergencies or breakdowns in the Authority System or Houston's water system; or (iii) for equipment installation, repairs, modifications, replacements, inspections, or maintenance on the Authority System or Houston's water system. In addition, the Authority may interrupt, reduce, or cease deliveries of Surface Water if such interruption or reduction is necessary for purposes of the Authority's GRP. The Authority shall have no liability to any Person for any damages caused by any interruption in service or any failure (partial or total) to deliver Surface Water.



Section 5.11. Maintenance of Groundwater Wells. In order to have an alternative water supply source in the event that the Authority's water service is interrupted or ceases for any reason, Persons that have converted, in whole or in part, to usage of Surface Water are strongly encouraged by the Authority to at all times: (i) maintain their existing groundwater well(s) and other groundwater facilities; and (ii) maintain water line interconnect(s) with other political subdivision(s) of this State that have functioning groundwater well facilities.

Section 5.12. Early Conversion. To the extent that a Person desires to purchase Surface Water for any reason in advance of the date that the Authority intends to provide Surface Water to such Person, such Person may submit a written request for Surface Water to the Authority, which request will be evaluated by the Authority, in its sole discretion, on economic feasibility, GRP cost, and other factors; and the Authority will determine, in its sole discretion, if such request can be satisfied, in what amount, and according to what time frame and terms.

Section 5.13. Compliance with GRP. Pursuant to the Act, the Authority is authorized to develop, prepare, revise, adopt, implement, enforce, manage, or participate in the GRP. The GRP may specify the measures to be taken to reduce groundwater withdrawals and the dates and extent to which Persons shall reduce or terminate withdrawal of groundwater and instead receive water from alternative sources. The Authority, the Authority's Engineer, and/or the Authority's Operator shall manage and enforce the GRP, including without limitation coordination with the FBSD or HGSD, monitoring compliance with the GRP, and enforcing the terms of the GRP. All Persons shall comply with the terms of the GRP and all other Authority orders and requirements (including, without limitation, those from the Authority Engineer or the Authority Operator) for the reduction of groundwater usage and the allocation of Surface Water. The Authority, the Authority Engineer, and/or the Authority Operator may from time to time issue groundwater reduction requirements to Persons in order to: (a) comply with or exceed FBSD or HGSD groundwater reduction requirements; (b) satisfy the terms of the GRP; and/or (c) allocate Surface Water among Persons, including requiring Persons to from time to time timely take Surface Water from the Authority in amounts determined by the Authority.

Section 5.14 Early-Conversion/Over-Conversion Credits. The Authority, and not the Person within the Authority's GRP, shall receive and be entitled to any early-conversion or over-conversion credits issued by the FBSD or HGSD consumed or utilized by any Person within the Authority's GRP. No Person within the Authority's GRP shall obtain (or attempt to obtain) for such Person's own benefit or the benefit of anyone other than the Authority or sell (or attempt to sell), any such early-conversion or over-conversion credits. If requested by the Authority, Persons within the Authority's GRP shall cooperate with the Authority in order to enable the Authority to receive such early-conversion or over-conversion credits.



Section 5.15. Inadequate Groundwater Facilities. Districts or users that need or desire Surface Water because they do not have adequate groundwater facilities (or for any other reason) may request a water supply commitment agreement from the Authority. At the Authority's discretion, the Authority may, according to terms and conditions acceptable to the Authority, enter into such an agreement. Only water supply commitment agreements guaranteeing quantity and pressure may be adequate to fulfill the Commission's regulations and requirements for capacity and water quality.

Section 5.16. Compliance of Person's Water System. In order to protect the Authority's water system, each Person's water system that is receiving Surface Water from the Authority, shall be constructed and operated to comply with the rules promulgated by the Commission, or any successor agency, and the policy requirements of Houston regarding backflow prevention and cross connections. Should a condition in violation of these requirements be discovered, such Person shall promptly cure same. If determined necessary by the Authority or if the Person fails to promptly cure same, the Authority, in addition to all other remedies available to it (including, without limitation, those provided in this Rate Order), may cure same, at the cost and expense of the Person. The Authority may conduct inspections from time to time to determine that no conditions exist in such Person's water system and in connections to the Person's customers' premises which would or might adversely affect the Authority System.

Section 5.17. Termination and Reconnection of Service. The Authority may, in its discretion, disconnect service for failure to pay all charges, including penalties and interest, by the 50th day after the Due Date; provided, however, that prior to disconnecting services, the Authority shall send written notice by United States first class mail to the Person at the appropriate address and provide the Person with an opportunity to contest, explain, or correct the charges, services, or disconnection, at a meeting of the Board. The written notice shall inform the Person of the amount of the delinquent payment, the date service will be disconnected or additional service withheld if payment is not made, the date, time, and place of the next scheduled meeting of the Board, and of the opportunity to contest, explain, or correct the charges, services, or disconnection, by presenting in person or in writing such matter to the Board at the next scheduled meeting as shown on the notice. The date specified for disconnection shall be ten (10) days after the date of the next scheduled meeting of the Board as shown in the notice, and the date for withholding additional service shall be ten (10) days after the date of that Board meeting. The notice shall be deposited, postpaid, in a post office or official depository under the care and custody of the United States Postal Service at least ten (10) days prior to the date of the scheduled meeting of the Board. A written statement by the Authority's operator that the notice was so mailed and a certificate of mailing by the United States Postal Service shall be prima facie evidence of delivery of same. If the Person appears before the Board in person or in writing, the Board shall hear and consider the matter and inform the Person of the Board's determination by sending written notice by United States first class mail to the



Person at the appropriate address. If service to a Person is disconnected for nonpayment of a delinquent bill or for any cause legally authorized, a reconnection fee of \$500 shall be paid prior to service being restored. In the event that the Authority's operator removes a Person's meter due to unauthorized reconnection of service subsequent to its termination by the Authority, a reinstallation fee of \$500 shall be paid prior to service being restored, which fee is in addition to any other fees imposed (including, without limitation, the reconnection fee).

Section 5.18. Authority Reimbursement to a Converted Customer. In lieu of the Authority designing or installing the Water Line Tank Connection or the Chloramine System (both defined below), the Authority has determined to require Persons that will become Converted Customers to design and install the Water Line Tank Connection and the Chloramine System and to allow certain of the related costs incurred by Converted Customers to be eligible for potential reimbursement from the Authority, as provided in this Section. Nothing in this Section shall be construed as limiting the Authority's right to require a Person, at the Person's sole cost, to: (i) convert to Surface Water, or (ii) install the Water Line Tank Connection or the Chloramine System. Unless agreed to otherwise in writing by the Board, the Converted Customer, and not the Authority, shall own, maintain, operate, and repair (and be responsible to obtain any appropriate insurance for) the Water Line Tank Connection and Chloramine System and also the Converted Customer's water plant buildings, tanks, and water wells. Notwithstanding the foregoing, nothing in this Section shall be construed as limited the Converted Customer's obligations as the receiving system to comply with Commission regulations and requirements. For example, in the event of a violation, the Commission will hold the Converted Customer responsible for any problems associated with the connection or chloramines system.

(a) If a written request for reimbursement is made by a Converted Customer to the Authority as set forth in this Section, then such Converted Customer may be eligible for Authority reimbursement of construction and engineering costs for the Water Line Tank Connection and the Chloramine System as follows:

- (i) The Converted Customer may be eligible for reimbursement of the actual and reasonable construction and engineering costs incurred by the Converted Customer to construct a segment of water line ("Water Line Tank Connection") from the Authority's water meter/vault facilities to such Customer's ground storage tank facilities (or other water plant facilities). A Converted Customer shall not be eligible for this reimbursement if the Converted Customer fails to execute a Realty Interest Document in favor of the Authority in a form and at the time required by the Authority, and at no expense to the Authority. The Authority may require that such Realty Interest Document, among other things, allow the Authority the right to: (i) install, own, operate, and maintain water line and/or meter facilities



and related appurtenances, and (ii) install, own, operate, and maintain sensor equipment on such Customer's ground storage tank facilities (or other water plant facilities) and electrical and control connections by conduit pipe (or other means) connecting such sensor equipment to the Authority's System. No costs for repair, maintenance, operation, upgrade, or replacement of the Water Line Tank Connection shall be eligible for reimbursement from the Authority. Such items that are ineligible for reimbursement include, but are not limited to, painting of water tanks beyond those areas that are affected by the conversion to chloramines disinfection system, modifications to a Converted Customer's facilities downstream of its water tanks, building modifications, and access modifications.

(ii) The Converted Customer may be eligible for reimbursement of the actual and reasonable construction and engineering costs incurred by the Converted Customer to convert its water treatment system from a chlorine disinfection system to a chloramine disinfection system ("Chloramine System"), including but not limited to adding ammonia storage and feed facilities, modifying chlorine storage and feed facilities, making control system modifications, and installing all necessary appurtenances thereto.

(iii) The purpose of this reimbursement is intended for costs associated with converting a pre-existing disinfection system to a chloramines disinfection system. Accordingly, unless approved in writing by the Authority, Persons scheduled by the Authority to become Converted Customers will not be eligible for a Chloramine System reimbursement on any new water plants constructed within three years before such time as Surface Water is generally available from the Authority, as determined by the sole discretion of the Authority. No costs for repair, maintenance, operation, upgrade, or replacement of a Chloramine System shall be eligible for reimbursement from the Authority. Such items that are ineligible for reimbursement include, but are not limited to, painting of water tanks beyond those areas that are affected by the conversion to chloramines disinfection system, modifications to a Converted Customer's facilities downstream of its water tanks, building modifications, and access modifications.

(b) Actual and reasonable engineering costs will be eligible for reimbursement in an amount not to exceed 25% of the actual and reasonable construction costs that are eligible and approved by the Authority for reimbursement under this Section if, and only if, such approved construction costs are less than or equal to \$500,000 for each water plant of the Converted Customer. If such approved construction costs are greater than \$500,000 for each water plant of the Converted Customer, then the percentage of



engineering costs eligible for reimbursement will be determined by the Board at the Board's sole discretion.

(c) Any reimbursement pursuant to this Section shall be subject to approval by the Authority's Engineer; and any such reimbursement shall be made in accordance with standards approved by the Authority's Engineer and the Board, which standards may change from time to time. Prior to completion of design (and commencement of construction) of the Water Line Tank Connection and Chloramine System, the Person to be converted to Surface Water shall submit plans and specifications to the Authority's Engineer for review and approval. The Authority's Engineer will provide written approval of the plans and specifications that are not eligible for reimbursement by the Authority in accordance with this Section. ANY SUCH APPROVAL DOES NOT RELIEVE THE PERSON, AND ITS ENGINEER, OF ADEQUATELY DESIGNING AND CONSTRUCTING THE FACILITIES AND ANY SUCH APPROVAL IS NOT AN ASSUMPTION BY THE AUTHORITY (OR THE AUTHORITY'S ENGINEER) OF RESPONSIBILITY OR LIABILITY FOR THE ADEQUACY (OR INADEQUACY) OF SUCH PLANS AND SPECIFICATIONS OR THE FACILITIES CONSTRUCTED THEREBY, ALL OF SAME BEING EXPRESSLY DISCLAIMED.

(d) Construction of the Water Line Tank Connection and the Chloramine System shall be done pursuant to the competitive bidding requirements of Chapter 49, Texas Water Code, or, if applicable, the Commission emergency approval of negotiated contracts under Section 49.274, Texas Water Code. In the event the Water Line Tank Connection and Chloramine System are constructed pursuant to a contract negotiated under said Section 49.274 (instead of a contract that was competitively bid pursuant to said Chapter 49), the Board may disapprove any amount of reimbursement sought by the Converted Customer if the Board determines that the reimbursement exceeds the costs that would have been incurred had the contract been competitively bid.

(e) Unless otherwise agreed to in writing by the Board in its sole discretion, the potential reimbursement eligibility set forth in this Section shall not be available until and after a Person becomes a Converted Customer. Accordingly, for example and without limitation, a Person that is not directly connected to the Authority's System but that receives water through a water interconnect with a Converted Customer shall not be eligible for the potential reimbursement described in this Section until and after such Person becomes a Converted Customer. In addition to and without limiting the other provisions of this Section, and in addition to any other remedies available to the Authority, some or all of the potential reimbursement eligible to a Converted Customer under this Section may be reduced or eliminated by the Board: (i) if the Converted Customer fails to install the Water Line Tank Connection and Chloramine System and commence receiving Surface Water by the date that the Authority is able to deliver Surface Water; or (ii) if the Converted Customer fails to submit a written request for reimbursement (with adequate supporting documentation) to the Authority within 180



days after the Person becomes a Converted Customer. No interest or interest expenses shall be included in any potential reimbursement eligible under this Section.

(f) A Converted Customer shall not be eligible for the reimbursement described in this Section if the Converted Customer fails to obtain approval of its plans and specifications by the Authority's Engineer in accordance with the provisions above.

(g) Any and all reimbursement pursuant to this Section shall be subject to Board approval, which approval may be granted or denied based on the Board's sole discretion. Any requests for variances from the reimbursement procedures and policies contained in this Section must be submitted to the Board in writing prior to a Person commencing the design of the Water Line Tank Connection or the Chloramine System. The Authority may require a Person to execute a receipt and release in a form acceptable to the Authority prior to receiving any reimbursement under this Section.

ARTICLE VI COLLECTION OF FEES

Section 6.01. Late Penalties and Interest. Payments of any fees, charges, or rates shall be considered delinquent if they are received more than 10 days after the Due Date (the "Delinquent Date"). A payment postmarked after the Delinquent Date shall be deemed delinquent. Payments of any fees, charges or rates received by the Authority after the Delinquent Date will be subject to a late penalty of 2% of the fees, charges, or rates due, and such 2% penalty shall be due to the Authority on the first day such fees, charges, or rates are late. Notwithstanding the foregoing, the 2% late penalty shall not exceed an amount of \$2,000. An additional 5% penalty (for a total penalty of the lesser of 7% or \$2,000 plus 5%) shall be imposed if the payment is received more than 30 days after the Due Date, and such additional 5% penalty shall be due to the Authority on the 31st day after the Due Date. Additionally, overdue amounts (including late penalties) shall accrue interest, from the day after the Delinquent Date until the day the overdue amount is paid to the Authority, at an annual interest rate ("Interest Rate") of 4.25%. On September 1st of each calendar year (the "Current Calendar Year"), the Interest Rate shall automatically reset to the lesser of: (1) one percent plus the prime rate as published in the Wall Street Journal on the first day of July of the current calendar year that does not fall on a Saturday or Sunday; or (2) one percent plus the prime rate as published in the Wall Street Journal on the first day of July of the year preceding the current calendar year that does not fall on a Saturday or Sunday. (For example, if said prime rate was 3.25% on July 1, 2012 and is 5% on July 1, 2013, then on September 1, 2013, the Interest Rate shall be 3.25% plus 1%, or 4.25% per annum.)

Section 6.02. Collection Costs. If the Authority is required to incur costs to collect an overdue account, all such costs, including court costs, reasonable attorney's fees, and expenses, shall be paid by the delinquent Person, and the Authority shall be entitled to collect such costs in any suit for collection of a delinquent account.



Section 6.03. Expulsion from GRP. The Board may exclude a Person, or any territory or Well owned or controlled by a Person, from the GRP for failure to make a complete or timely payment to the Authority of fees, user fees, rates, penalties, interest, or any other charges due to the Authority.

ARTICLE VII AUTHORITY RULES

Section 7.01. Self-Reporting Violations. Each Non-Exempt Well owner and Surface Water user shall be responsible for reading the meter(s) to measure the amount of water pumped from each Non-Exempt Well and the amount of Surface Water received at the end of each month and for accurately reporting, in the manner provided in this Rate Order, such measurements (even if the measurements show zero pumpage or zero Surface Water usage) to the Authority on the form promulgated by the Authority on or before the due date. The Authority reserves the right to request more frequent reporting, at its sole discretion. Failure to make such measurements, or failure to accurately or timely report them to the Authority, shall be a violation of the Authority's rules. If a Person reports higher pumpage or higher Surface Water usage to the FBSD or HGSD than the Person reported to the Authority, the Authority shall be entitled to find that such Person did not accurately report to the Authority and therefore violated the Authority's rules.

Section 7.02. Failure to Comply with Measurement Requirements. Each Non-Exempt Well owner and Surface Water user is required to comply with the provisions of this Rate Order, including without limitation, allowing the Authority the right to: (1) audit Well pumpage and Surface Water usage; (2) read the Well owner's meter and the Surface Water meter; (3) enter the Well owner's land to audit and/or measure Well pumpage and Surface Water usage; (4) test and recalibrate, if necessary, the Well owner's meter and the Surface Water meter. Failure of the Well owner to comply with such provisions, or any other provision of this Rate Order, shall be a violation of the Authority's rules.

Section 7.03. Calibration of Meters. Each Non-Exempt Well owner is responsible for keeping its Well meter at least 95% accurate. It shall be a violation of the Authority's rules for any Well owner who knows or should reasonably know that its Well meter is less than 95% accurate to fail to promptly correct such meter and to correct any reports previously made to the Authority of inaccurate data.

Section 7.04. Payment Violations. Each Person shall be responsible for paying the Authority the GRP Fees, Surface Water Fees, Imported Water Fees, and any other charges (including, without limitation, any penalties and interest) due the Authority on or before the due date. Failure to make such payment when due shall be a violation of the Authority's rules.



Section 7.05. GRP. Each Person shall be responsible to promptly comply with the GRP and all directives and requirements issued by the Authority, the Authority Engineer, or the Authority Operator for the purposes of or related to the GRP, including, without limitation, all requirements that the Person: (i) take (or refrain from taking) amount(s) of Surface Water from time to time required by the Authority; and (ii) install the Water Line Tank Connection and Chloramine System by the date the Authority is able to deliver Surface Water to the Person. In addition, no Person shall utilize the Shut-off Valve(s) to control the rate of flow of Surface Water being delivered by the Authority, as such Shut-off Valves are intended only to be used in the event a waterline needs to be taken out of service. Failure to comply with the provisions of this Section shall be a violation of the Authority's rules.

Section 7.06. Daily Amount. If the Authority, Authority Engineer, or Authority Operator has designated a Maximum Daily Amount or Minimum Daily Amount for a Person connected to the Authority System, then such Person shall be responsible to take no more than its Maximum Daily Amount and no less than its Minimum Daily Amount during any one day. Failure to so comply shall be a violation of the Authority's rules.

Section 7.07. Water Conservation Program. To encourage efficient use of water, the Authority requires Non-Exempt Well owners and/or Persons receiving Surface Water to (i) approve and submit to the Authority by May 1, 2012 (or prior to receiving Surface Water if delivery shall occur after May 1, 2012), a water conservation plan meeting or exceeding the minimum State requirements for retail water providers with 3,300 or more connections, and (ii) submit Annual Reports documenting the implementation of the water conservation plan to the Authority by May 1st of each year on the Annual Report form promulgated by the Texas Water Development Board. If such Person intends to resell the Surface Water to a wholesale customer of such Person, then the Person shall require its wholesale customer to also implement water conservation measures pursuant to 30 Texas Administrative Code § 288.

Section 7.08. Right of Entry. Each Person shall be responsible: (1) to timely comply with the Section of this Rate Order entitled "Right to Enter Land"; and (2) to not prevent or hinder the Authority's rights under the Section of this Rate Order entitled "Right to Enter Land." Failure to do so shall be a violation of the Authority's rules.

Section 7.09. Authority Rules and Orders. All requirements set forth in this Article VII are adopted as rules of the Authority. All requirements and rules set forth in any part of this Rate Order shall be considered orders of the Authority.

Section 7.10. Interconnect Agreements. In order for the Authority to maintain an accurate inventory of the interconnects for all of the Non-Exempt Well owners and/or Persons within its boundaries, each Non-Exempt Well owner and/or Person that is a party to an interconnect agreement, regardless of whether or not the other party is located within the boundaries of the Authority, must submit copies of all interconnect



agreements currently in effect or entered into in the future to the Authority. A copy of each interconnect agreement currently in effect must be submitted by September 1, 2012, and copies of interconnect agreements entered into after July 25, 2012 must be submitted by September 1, 2012 or within 30 days of execution. Further, as of October 1, 2012, any new interconnects constructed for the benefit of a Non-Exempt Well owner and/or Person located within the Authority's boundaries with parties located outside of the Authority's boundaries must be metered. Interconnects in which all parties are located within the Authority's boundaries or interconnects that were constructed prior to October 1, 2012 with parties outside of the Authority's boundaries shall not be subject to this requirement.

Section 7.11 Regional System Agreements. If a Non-Exempt Well is part of a regional system, the Non-Exempt Well owner must submit the agreement relating to such regional system, including the regional system's participating entities and/or persons, to the Authority by September 1, 2012. If any new agreements and/or amendments relating to Non-Exempt Wells within regional systems are entered into after July 25, 2012, such agreement and/or amendment must be submitted to the Authority by September 1, 2012 or within 30 days of execution.

Section 7.12. Contact Information Submission. In order to have accurate contact information to be able to readily contact all Non-Exempt Well owners in the case of an emergency or to transmit other necessary communication, each Non-Exempt Well owner has the responsibility to inform the Authority of the key persons involved with their system, including, as applicable, the Non-Exempt Well owner's operator, engineer, bookkeeper, attorney, and management company. Should the contact information for any of the foregoing persons change, the Non-Exempt Well owner should submit notification to the Authority as soon as reasonably practicable.

ARTICLE VIII CIVIL PENALTIES AND MISCELLANEOUS

Section 8.01. Civil Penalty. A Person is subject to a civil penalty of up to \$5,000 for each violation or each day of a continuing violation if the Person: (i) violates any provision of this Rate Order, the GRP, any rules contained in either of same, or any other order or rule of the Authority, (ii) makes unauthorized use of Authority services or facilities, or (iii) causes damage to Authority facilities by using such facilities in a manner or for a purpose contrary to the purpose for which such facilities were designed. The Board may set the penalty based on (all as determined by the Board): (i) the severity of the offense; (ii) whether such violation was willful, knowing, reckless, or inadvertent; (iii) the history of conduct by such Person; (iv) the damages sustained by the Authority; (v) the risk or damage to the GRP; and (vi) any other factors determined appropriate by the Board. The Authority may bring an action to recover the penalty in a district court in the county where the violation occurred. The penalty shall be paid to the Authority.



Section 8.02. Termination for Rate Order or GRP Violations. Any Person who violates any provision of this Rate Order or the GRP in addition to being subject to the penalties described in this Rate Order, shall be subject to having service terminated; provided, however, that prior to disconnecting service for violations that do not constitute a hazard to health or safety or endanger the integrity of the Authority's system or adversely affect the Authority's GRP, the Authority shall give written notice by first class mail or otherwise, to such Person of the pending disconnection, and shall give such Person the opportunity to contest, explain, or correct the violation at a meeting of the Board. Such disconnection shall be in addition to penalties that may be imposed by the Authority under this Rate Order and remedies that may otherwise be available to the Authority.

Section 8.03. Injunction. The Authority may bring an action for injunctive relief in a district court in the county where a violation of an authority rule or order occurs or is threatened to occur. The Authority may bring an action for a civil penalty and injunctive relief in the same proceeding

Section 8.04. Right to Enter Land. In addition to any other rights that the Authority may have (by easement or otherwise), the Authority and its representatives shall have the authority to enter upon any public property (including, without limitation, property owned by a District) or private property within the Authority's boundaries or property adjacent to any property owned by the Authority (and enter upon any property owned by a District included in the Authority's GRP by contract) at any reasonable time in order to: (1) inspect, repair, install, test, maintain, or operate any Authority facilities or to test or monitor the Surface Water delivered by the Authority; (2) audit Well pumpage or Surface Water measurements submitted by a Person to the Authority; (3) measure Well pumpage or Surface Water usage; (4) inspect and investigate conditions relating to the quality of water in the State of Texas; and/or (5) investigate compliance with any Authority rule, regulation, permit, or order. If requested by the Authority or Authority Operator, a Person shall immediately cooperate with the Authority or Authority Operator to allow the Authority or Authority Operator to enter such site(s) for any of such purposes. Authority representatives entering private property pursuant to this Section shall observe the establishment's rules and regulations concerning safety, internal security, and fire protection and shall notify any occupant or management of their presence and shall exhibit proper credentials.

Section 8.05. Groundwater Reduction Plan Participation Agreements. Any Person that is a member or participant of the Authority's GRP through a written contract with the Authority shall be subject to all of the terms, provisions, rules, requirements, and penalties of this Rate Order and all other orders, resolutions, and requirements of the Authority, to the extent they are not inconsistent with the terms and provisions of such written contract.



Section 8.06. Prior Resolutions Establishing Groundwater Reduction Plan Fees and Rate Orders. The Authority retains all of its rights and remedies under all prior Authority Resolutions Establishing Groundwater Reduction Plan Fee, as amended.

Section 8.07. Amendments to Rate Order and GRP. As determined necessary by the Authority, the Authority reserves the right to modify from time to time: (1) the rates, charges, and fees contained in this Rate Order; (2) any other terms and provisions of this Rate Order; and (3) its GRP.

Section 8.08. Authority Designee. The Authority hereby designates the Board President, Board Vice President, Board Assistant Vice President, the Authority Engineer, and/or the Authority Operator to exercise the Authority's powers under its GRP and this Rate Order.

Section 8.09. Refusal to Add Persons to GRP. The Board, at its discretion, may refuse to add Persons (and their wells) to the GRP, including, without limitation, any Person seeking to be re-admitted to the GRP who at any time had been removed from the GRP because the Person's groundwater pumpage reduced below the amount required for the Person to be subject to FBSD or HGSD groundwater reduction requirements.

Section 8.10. No Waiver. The failure of the Authority to insist, in any one or more instances, upon a Person's performance of any of the terms, requirements, or conditions of this Rate Order shall not be construed as a waiver or relinquishment of the future performance of any such term, requirement or condition by that Person or any other Person.

Section 8.11. Lien. Pursuant to Section 8813.108, fees and user fees imposed by the Authority under Section 8813.103(b), any related penalties and interest, collection expenses, and reasonable attorney's fees incurred by the Authority are a first and prior lien against the well to which the fees or user fees apply. The Authority may enforce said lien in any manner provided by the Act or other law.

[EXECUTION PAGE FOLLOWS]



ADOPTED THIS 19TH DAY OF DECEMBER, 2013.

NORTH FORT BEND WATER AUTHORITY

By: *Robert Fack*
Vice President, Board of Directors

ATTEST:

By: *Melony Say*
Secretary, Board of Directors

(SEAL)



EXHIBIT A
NORTH FORT BEND WATER AUTHORITY
Pumpage/Surface Water and Billing Form Effective January 1, 2014

Name of Well Owner or Recipient of Surface Water: _____
 Identify: Well #1: _____; Well #2: _____; Well #3: _____; Well #4: _____
 Identify: Meter #1: _____; Meter #2: _____; Meter #3: _____; Meter #4: _____

Check the billing period for which this report is being filed

	Billing Period	Rate	Due Date
<input type="checkbox"/>	January 1-31, 20__	\$2.20 pumpage/ \$2.55 surface	February 28, 20__
<input type="checkbox"/>	February 1-28/29, 20__	\$2.20 pumpage/ \$2.55 surface	March 31st, 20__
<input type="checkbox"/>	March 1-31, 20__	\$2.20 pumpage/ \$2.55 surface	April 30, 20__
<input type="checkbox"/>	April 1-30, 20__	\$2.20 pumpage/ \$2.55 surface	May 31, 20__
<input type="checkbox"/>	May 1-31, 20__	\$2.20 pumpage/ \$2.55 surface	June 30, 20__
<input type="checkbox"/>	June 1-30, 20__	\$2.20 pumpage/ \$2.55 surface	July 31, 20__
<input type="checkbox"/>	July 1-31, 20__	\$2.20 pumpage/ \$2.55 surface	August 31, 20__
<input type="checkbox"/>	August 1-31, 20__	\$2.20 pumpage/ \$2.55 surface	September 30, 20__
<input type="checkbox"/>	September 1-30, 20__	\$2.20 pumpage/ \$2.55 surface	October 31, 20__
<input type="checkbox"/>	October 1-31, 20__	\$2.20 pumpage/ \$2.55 surface	November 30, 20__
<input type="checkbox"/>	November 1-30, 20__	\$2.20 pumpage/ \$2.55 surface	December 31, 20__
<input type="checkbox"/>	December 1-31, 20__	\$2.20 pumpage/ \$2.55 surface	January 31, 20__

Gallons of Water Pumped, Imported, of Purchased for Billing Period

	Start Meter Reading	End Meter Reading	Total
Well #1			
Well #2			
Well #3			
Well #4			
Imported Water			
Surface Water			
For additional wells, attach a second reporting form and put total from all wells below.			
ALL			

1	Enter total gallons of water pumped	
2	Divide by 1,000	
3	Total pumpage fee due (multiply line 2 x 2.20)	
4	Enter total gallons of surface water received	
5	Divide by 1,000	
6	Total surface water fee due (multiply line 5 x 2.55)	
7	Enter total gallons of water imported	
8	Divide by 1,000	
9	Total fee due (multiply line 8 x 2.20 or 2.55)	
10	LESS APPLICABLE CREDIT DUE FROM CAPITAL CONTRIBUTION	
11	Total due (add lines 3, 6, 9, and 10)	

I declare that the above information is true and correct to the best of my knowledge and belief.

Dated: _____ By: _____

Name: _____ Title: _____

If your payment is received late (as defined in the Authority's Amended Rate Order) the Authority will send you an invoice for the late penalties and interest set forth in the Authority's Amended Rate Order.

Make check payable to: North Fort Bend Water Authority; c/o _____ **(rates effective 1/1/2014)**



EXHIBIT B

NEW WELL OR ACTIVITY STATUS CHANGE REQUEST FORM





New Well Application or Activity Status Change Request

- This Application applies to wells located within the NFBWA boundary and GRP Contract participants that are classified as non-exempt per Fort Bend Subsidence District (FBSD) Regulations. Exempt well owners should contact the FBSD.
- Please complete form and email to nfbwa@browngay.com or fax to NFBWA at 713-488-8250.
- Note that it may take up to 60 days to process your request in order to allow for Board action.

A. For New Wells - I am applying For:

- Authorization to Drill a Well
- Inclusion in the Authority's Well Permit (Well must be authorized PRIOR to applying for inclusion)

For Existing Wells:

- Well is currently inactive, but wishes to reactivate (Note: this does not grant you a permit, only reactivates your well)
- Well is currently active and under Authority's permit, but will become inactive (Only complete sections C and D)

B. Emergency Applications:

If this is an emergency request, please describe, in detail, why the need for this well is urgent. Otherwise, proceed to section C.

C. Owner: Entity that Owns the Well

Name:

Attention:

Phone: Ext.

Email:

City: State: Zip:

Check if owner information has changed:

D. Applicant: Person Completing & Submitting this Form (If different from above)

Name:

Phone: Ext.

Email:

E. Physical Characteristics of Well

Location of Well:
(Address, if applicable, or general description)



Latitude: Degrees: Minutes: Seconds:
Longitude: Degrees: Minutes: Seconds:
Well Depth: ft.
Inside Diameter of Casing: in.
Well Casing (select one): Schedule 40 Schedule 80 SDR

F. Well Usage:

Expected Pumpage during next 12 Months:

Intended Use (Select one): Public Supply - Wells used for retail or wholesale water supply
 Commercial/Domestic - Wells used for commercial or business establishments for potable/sanitary needs
 Industrial - Wells used as part of an industrial process or in the manufacturing of a product
 Other - Wells used for other uses such as livestock watering, filling ponds/amenity lakes, irrigation of parks & golf courses, etc.
***A well with casing diameter less than 5 inches that serves only a single family dwelling is exempt and does not need to be included in the Authority's permit. For these wells, you must apply through the Fort Bend Subsidence District.

Detailed Description:

Alternative Water Supply at location (municipal water line, canal/raw water source for non-potable use, etc.)

Status of Well: Not Yet Drilled Being Drilled Already Drilled
Estimated Completion Date:
Completion Date:

Please email completed form to nfbwa@brownngay.com or fax to NFBWA at 713-488-8250.



OFFICIAL STATEMENT

Dated April 14, 2015

Ratings:
Moody's: "Aa1"
Fitch: "AA+"
See ("OTHER INFORMATION – Ratings" herein)

NEW ISSUE - Book-Entry-Only

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS AND CORPORATIONS, EXCEPT FOR CERTAIN ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINIONS OF BOND COUNSEL.

\$52,220,000
FORT BEND COUNTY, TEXAS
UNLIMITED TAX ROAD AND REFUNDING BONDS
SERIES 2015A

\$93,370,000
FORT BEND COUNTY, TEXAS
LIMITED TAX REFUNDING BONDS
SERIES 2015B

Dated Date: May 1, 2015

Due: March 1, as shown on inside cover

PAYMENT TERMS . . . Interest on the \$52,220,000 Fort Bend County, Texas, Unlimited Tax Road and Refunding Bonds, Series 2015A (the "Series 2015A Bonds") and the \$93,370,000 Fort Bend County, Texas, Limited Tax Refunding Bonds, Series 2015B (the "Series 2015B Bonds," and together with the Series 2015A Bonds, the "Bonds") will accrue from May 1, 2015 (the "Dated Date") and will be payable September 1 and March 1 of each year, commencing September 1, 2015, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the beneficial Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is Wells Fargo Bank, N.A., Minneapolis, Minnesota (see "THE BONDS - PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE OF THE SERIES 2015A BONDS . . . The Series 2015A Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapters 1207 and 1471, Texas Government Code, as amended, an election held within Fort Bend County, Texas (the "County") on May 12, 2007, and an order of the Commissioners Court of the County authorizing the issuance of the Series 2015A Bonds (the "Series 2015A Order"). The Series 2015A Bonds are direct obligations of the County, payable from a continuing ad valorem tax levied on all taxable property within the County, without legal limit as to rate or amount (see "THE BONDS – AUTHORITY FOR ISSUANCE").

AUTHORITY FOR ISSUANCE OF THE SERIES 2015B BONDS . . . The Series 2015B Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended, and an order of the Commissioners Court of the County authorizing the issuance of the Series 2015B Bonds (the "Series 2015B Order"). The Series 2015B Bonds are direct obligations of the County, payable from a continuing ad valorem tax levied on all taxable property within the County, within the limits prescribed by law (see "THE BONDS – AUTHORITY FOR ISSUANCE").

PURPOSE . . . Proceeds from the sale of the Series 2015A Bonds will be used (i) for the construction, purchase, maintenance and operation of macadamized, graveled and paved roads and turnpikes, (ii) to advance refund and defease certain obligations of the County described in Schedule I (the "Refunded Unlimited Tax Bonds"), and (iii) to pay the costs of issuance of the Series 2015A Bonds.

Proceeds from the sale of the Series 2015B Bonds will be used (i) to advance refund and defease certain obligations of the County described in Schedule I (the "Refunded Limited Tax Bonds," and together with the Refunded Unlimited Tax Bonds, the "Refunded Bonds"), and (ii) to pay the costs of issuance of the Series 2015B Bonds.

SEE MATURITY SCHEDULE ON THE INSIDE COVER PAGE

OPTIONAL REDEMPTION . . . The County reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2026, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2025, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - OPTIONAL REDEMPTION").

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinions of the Attorney General of Texas and the legal opinions of Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas (see APPENDIX C, "FORM OF BOND COUNSEL'S OPINIONS"). Certain legal matters will be passed upon for the County by Andrews Kurth LLP, Houston, Texas, Issuer's Disclosure Counsel and for the Underwriters by Haynes and Boone, LLP and Bates and Coleman, P.C., Houston, Texas, Co-Underwriters' Counsel.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on May 13, 2015.

CITIGROUP

LOOP CAPITAL MARKETS

BOSC INC.
 A subsidiary of BOK Financial Corporation

ESTRADA HINOJOSA & COMPANY INC.

STIFEL NICOLAUS & COMPANY INCORPORATED

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2014/2015 Certified Appraised Value by Fort Bend Central Appraisal District
(excluding totally exempt property) \$ 57,517,166,488

Less Exemptions/Reductions at 100% Market Value:

Residential Homestead Exemptions	\$ 5,920,081,475	
Over 65 Exemptions	2,192,286,633	
Disabled & Deceased Veteran's Exemptions	367,196,325	
Lease Vehicle Exemption	129,723,804	
Abatements	289,720,050	
Productivity Loss	2,202,474,830	
Pollution	307,246,460	
House Bill 366	246,088	
Historical	13,075,671	
Community Housing Development	4,490,000	
Prorated Exempt Property	7,033,896	
10% Homestead Cap Adjustment	362,670,741	11,796,245,973

2014/2015 Taxable Assessed Valuation \$ 45,720,920,515

County Funded Debt Payable from Ad Valorem Taxes (as of April 1, 2015)

Limited Tax Bonds ⁽¹⁾	\$ 162,045,000	
Unlimited Tax Road Bonds ⁽²⁾	173,955,000	
Unlimited Tax Toll Road Bonds ⁽³⁾	115,885,000	
Fort Bend Flood Control Water Supply Corp. Revenue Bonds	5,640,000	
Fort Bend Grand Parkway Toll Road Authority Limited Contract Tax Bonds ⁽⁴⁾	155,085,000	

County Funded Debt Payable from Ad Valorem Taxes \$ 612,610,000

Ratio Tax Supported Gross Debt to Taxable Assessed Valuation 1.34%

2015 Population Estimate - 677,770 ⁽⁵⁾
Per Capita Taxable Assessed Valuation - \$66,675
Per Capita Tax Debt - \$893

- (1) Includes the Series 2015B Bonds and excludes the Refunded Limited Tax Bonds.
 (2) Includes the Series 2015A Bonds and excludes the Refunded Unlimited Tax Bonds.
 (3) The Subordinate Lien Toll Road Bonds are secured by a subordinate lien on all net revenues from the operation of the Toll Roads. In addition, the Subordinate Lien Toll Road Bonds are secured by a pledge of the County's ad valorem taxes in the event that the net revenues from the operation of the Toll Roads are insufficient to pay principal and interest on the Subordinate Lien Toll Road Bonds. See "DEBT INFORMATION – FORT BEND COUNTY TOLL ROAD BONDS" herein.
 (4) The County has a joint project agreement with the Fort Bend Grand Parkway Toll Road Authority ("FBGPTRA") in which it agrees to make payments to the FBGPTRA, calculated annually and equal to the debt service on the FBGPTRA's bonds less the estimated amount of available net toll revenues. See "DEBT INFORMATION – FORT BEND GRAND PARKWAY TOLL ROAD BONDS." The County has not yet been required to levy any taxes for this purpose.
 (5) Source: the County.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Tax Year					
	2014		2013		2012	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 38,197,156,012	66.41%	\$ 34,939,222,040	66.00%	\$ 32,696,769,609	65.21%
Real, Residential, Multi-Family	1,492,817,879	2.60%	1,223,124,193	2.31%	1,038,540,000	2.07%
Real, Vacant Lots/Tracts	854,963,794	1.49%	910,690,568	1.72%	961,783,939	1.92%
Real, Acreage (Land Only)	2,455,020,886	4.27%	2,405,933,092	4.54%	2,535,052,048	5.06%
Real, Farm and Ranch Improvements	380,697,030	0.66%	368,553,330	0.70%	348,241,112	0.69%
Real, Commercial and Industrial	7,759,852,998	13.49%	7,241,630,477	13.68%	7,134,533,264	14.23%
Real, Oil, Gas & Other Mineral Reserves	256,495,180	0.45%	262,592,210	0.50%	333,441,300	0.66%
Real and Tangible Personal, Utilities	754,452,129	1.31%	627,521,930	1.19%	615,750,037	1.23%
Tangible Personal, Commercial and Industrial	4,181,424,859	7.27%	3,979,309,449	7.52%	3,599,878,815	7.18%
Tangible Personal, Other	62,049,925	0.11%	60,883,115	0.12%	55,486,280	0.11%
Real, Inventory	999,071,390	1.74%	793,911,390	1.50%	730,016,310	1.46%
Special Inventory	109,766,186	0.19%	102,899,736	0.19%	84,571,490	0.17%
Intangible Property and/or Uncertified Property	13,398,220	0.02%	25,039,550	0.05%	9,027,243	0.02%
Total Appraised Value Before Exemptions	\$ 57,517,166,488	100.00%	\$ 52,941,311,080	100.00%	\$ 50,143,091,447	100.00%
Less: Total Exemptions/Reductions	11,796,245,973		10,963,642,810		10,703,144,393	
Taxable Assessed Value	\$ 45,720,920,515		\$ 41,977,668,270		\$ 39,439,947,054	

Category	Tax Year			
	2011		2010	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 31,039,400,739	64.21%	\$ 32,405,502,925	64.81%
Real, Residential, Multi-Family	985,883,440	2.04%	974,134,090	1.95%
Real, Vacant Lots/Tracts	982,287,088	2.03%	1,017,512,443	2.04%
Real, Acreage (Land Only)	2,536,288,590	5.25%	2,640,019,515	5.28%
Real, Farm and Ranch Improvements	331,068,370	0.68%	336,375,780	0.67%
Real, Commercial and Industrial	7,050,117,340	14.58%	7,186,318,692	14.37%
Real, Oil, Gas & Other Mineral Reserves	273,529,460	0.57%	334,652,480	0.67%
Real and Tangible Personal, Utilities	661,509,515	1.37%	680,505,438	1.36%
Tangible Personal, Commercial and Industrial	3,611,035,498	7.47%	3,519,402,303	7.04%
Tangible Personal, Other	55,860,570	0.12%	56,757,845	0.11%
Real, Inventory	729,776,091	1.51%	789,447,630	1.58%
Special Inventory	74,140,120	0.15%	46,825,140	0.09%
Intangible Property and/or Uncertified Property	10,398,285	0.02%	10,051,655	0.02%
Total Appraised Value Before Exemptions	\$ 48,341,295,106	100.00%	\$ 49,997,505,936	100.00%
Less: Total Exemptions/Reductions	10,306,807,994		10,994,891,710	
Taxable Assessed Value	\$ 38,034,487,112		\$ 39,002,614,226	

NOTE: Valuations shown are certified taxable assessed values reported by the Fort Bend Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

C39. Fort Bend County Tax Assessed Values

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended Sept 30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Tax	Ratio of Tax	Tax Supported Debt Per Capita	Tax Supported Debt Per Capita	Tax Year
				Supported Debt Outstanding at End of Year ⁽³⁾	Supported Debt to Taxable Assessed Valuation			
2010	581,830	\$ 39,338,322,831	\$ 67,611	\$ 467,300,000	1.19%	\$ 803		2009
2011	606,786	39,002,614,226	64,277	452,755,000	1.16%	746		2010
2012	639,969	38,034,487,112	59,432	437,810,000	1.15%	684		2011
2013	643,408	39,439,947,054	61,299	468,360,000	1.19%	728		2012
2014	652,365	41,977,668,270	64,347	448,570,000	1.07%	688		2013
2015	677,770	45,720,920,515	67,458	457,525,000 ⁽⁴⁾	1.00% ⁽⁴⁾	675 ⁽⁴⁾		2014

(1) Source: Fort Bend Economic Development Council.

(2) As reported by the Fort Bend Central Appraisal District; subject to change during the ensuing year.

(3) Includes general obligation toll road system debt. The Subordinate Lien Toll Road Bonds are secured by a subordinate lien on all net revenues from the operation of the Toll Roads. In addition, the Subordinate Lien Toll Road Bonds are secured by a pledge of the County's ad valorem taxes in the event that the net revenues from the operation of the Toll Roads are insufficient to pay principal and interest on the Subordinate Lien Toll Road Bonds. See "DEBT INFORMATION - FORT BEND COUNTY TOLL ROAD BONDS" herein.

(4) Includes the Bonds and excludes the Refunded Bonds.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended	Tax Rate	Tax Levy	% Current Collections ⁽¹⁾	% Total Collections ⁽²⁾
2010	\$0.49976	\$ 197,186,186	98.79%	99.82%
2011	0.49976	195,336,172	98.93%	99.81%
2012	0.49976	197,641,781	99.22%	99.77%
2013	0.49976	205,745,210	99.36%	99.71%
2014	0.49976	220,723,659	99.40%	99.40%
2015	0.49476	238,146,134	95.49% ⁽³⁾	95.49% ⁽³⁾

(1) Collected within the Fiscal Year of the levy.

(2) As of September 30, 2014 for each respective year's levy.

(3) Collections as of February 28, 2015.

TABLE 5 - TAX RATE DISTRIBUTION ANALYSIS

	Tax Year				
	2014	2013	2012	2011	2010
General Fund	\$ 0.37826	\$ 0.38076	\$ 0.37776	\$ 0.38184	\$ 0.38100
Road & Bridge Fund	0.02850	0.03100	0.02800	0.03032	0.02770
Debt Service Fund ⁽¹⁾	0.06600	0.07300	0.07500	0.06880	0.07146
Drainage District	0.02200	0.01500	0.01900	0.01880	0.01960
Farm-to-Market & Lateral Road Fund	0.00000	0.00000	0.00000	0.00000	0.00000
County Total Tax Rate	<u>\$ 0.49476</u>	<u>\$ 0.49976</u>	<u>\$ 0.49976</u>	<u>\$ 0.49976</u>	<u>\$ 0.49976</u>

(1) The debt service fund tax includes a levy for unlimited tax bonds which are not subject to a constitutional tax limit as to rate or amount. See "THE BONDS - TAX RATE LIMITATION."

North Fort Bend Water Authority
Water Rate and Pumpage Fee Model - TWDB Application for SWSP

Year Ended	Rates and Fees							Expenses		Net Revenue Available for Debt Service
	Surface Water MGD	Rate Per 1000 MDG	Pumpage Fee MGD	Rate Per 1000 MDG	Total Entity Credits	Re-Use Conservation	Gross Revenue	System Operation and Maintenance Expenses	Total	
	2018	15.0310	3.70	22.5800	3.35	(272,988)	(1,656,000)	45,980,073	(9,200,000)	
2019	15.0660	3.70	25.1240	3.35	(272,988)	(1,656,000)	49,138,016	(9,200,000)	(9,200,000)	39,938,016
2020	15.1010	3.70	28.0190	3.35	(272,988)	(1,656,000)	52,725,145	(9,200,000)	(9,200,000)	43,525,145
2021	15.1250	3.70	30.2600	3.35	(272,988)	(1,656,000)	55,497,740	(11,200,000)	(11,200,000)	44,297,740
2022	15.1470	3.70	32.5300	3.35	(272,988)	(1,656,000)	58,303,093	(11,200,000)	(11,200,000)	47,103,093
2023	15.8350	3.70	35.2470	3.35	(272,988)	(1,656,000)	62,554,449	(11,200,000)	(11,200,000)	51,354,449
2024	16.9110	3.70	37.6400	3.35	(272,988)	(1,656,000)	66,933,628	(11,200,000)	(11,200,000)	55,733,628
2025	37.7800	3.70	20.3430	3.35	(272,988)	(1,656,000)	73,967,305	(11,200,000)	(11,200,000)	62,767,305
2026	39.8380	3.70	21.4510	3.35	(272,988)	(1,656,000)	78,101,441	(11,200,000)	(11,200,000)	66,901,441
2027	41.9260	3.70	22.5760	3.35	(272,988)	(1,656,000)	82,296,879	(11,200,000)	(11,200,000)	71,096,879
2028	44.0520	3.70	23.7200	3.35	(272,988)	(1,656,000)	86,566,868	(11,200,000)	(11,200,000)	75,366,868
2029	46.2470	3.70	24.9020	3.35	(272,988)	(1,656,000)	90,976,506	(11,200,000)	(11,200,000)	79,776,506
2030	48.4880	3.70	26.1030	3.35	(272,988)	(1,656,000)	95,471,499	(11,200,000)	(11,200,000)	84,271,499
2031	48.4880	3.70	26.1030	3.35	(272,988)	(1,656,000)	95,471,499	(11,200,000)	(11,200,000)	84,271,499
2032	48.4880	3.70	26.1030	3.35	(272,988)	(1,656,000)	95,471,499	(11,200,000)	(11,200,000)	84,271,499
2033	48.4880	3.70	26.1030	3.35	(272,988)	(1,656,000)	95,471,499	(11,200,000)	(11,200,000)	84,271,499
2034	48.4880	3.70	26.1030	3.35	(272,988)	(1,656,000)	95,471,499	(11,200,000)	(11,200,000)	84,271,499
2035	48.4880	3.70	26.1030	3.35	(272,988)	(1,656,000)	95,471,499	(11,200,000)	(11,200,000)	84,271,499
2036	48.4880	3.70	26.1030	3.35	(272,988)	(1,656,000)	95,471,499	(11,200,000)	(11,200,000)	84,271,499
2037	48.4880	3.70	26.1030	3.35	(66,900)	(1,656,000)	95,677,587	(11,200,000)	(11,200,000)	84,477,587
2038	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2039	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2040	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2041	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2042	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2043	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2044	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2045	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2046	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2047	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2048	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2049	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2050	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2051	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2052	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2053	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2054	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487

North Fort Bend Water Authority
Water Rate and Pumpage Fee Model - TWDB Application for SWSP

Year Ended	Senior Lien			Junior Lien								Total Debt Service	Capitalized Interest	Net Total Senior and Junior Lien Debt	
	Outstanding Bonds	BABs Rebate	Total Debt Service	Outstanding Bonds	Series 2018	Series 2019	Series 2020	Series 2021	Series 2022	Series 2023	Series 2024				
2018	21,229,195	(369,554)	20,859,641	4,294,936									4,294,936	(5,602,897)	19,551,680
2019	21,230,683	(369,554)	20,861,128	3,997,217	45,000	-	-	-	-	-	-	-	4,042,217	(45,000)	24,858,345
2020	21,227,638	(369,554)	20,858,083	3,997,205	78,172	1,557,150	-	-	-	-	-	-	5,632,527	(1,557,150)	24,933,460
2021	21,224,281	(369,554)	20,854,727	4,006,376	78,172	2,705,012	3,033,900	-	-	-	-	-	9,823,460	(3,033,900)	27,644,286
2022	21,231,750	(369,554)	20,862,196	4,009,702	78,172	2,705,012	5,270,357	-	-	-	-	-	12,063,242	-	32,925,438
2023	21,228,425	(369,554)	20,858,871	4,017,141	78,172	2,705,012	5,270,357	-	-	-	-	-	12,070,682	-	32,929,552
2024	21,223,225	(382,611)	20,840,614	4,028,498	78,172	2,705,012	5,270,357	-	-	-	-	-	12,082,039	-	32,922,652
2025	21,227,644	(395,668)	20,831,975	4,033,340	78,172	2,705,012	5,270,357	-	-	-	-	-	12,086,880	-	32,918,856
2026	21,229,594	(395,668)	20,833,925	4,036,983	78,172	2,705,012	5,270,357	-	-	-	-	-	12,090,523	-	32,924,449
2027	21,229,844	(395,668)	20,834,175	4,044,122	78,172	2,705,012	5,270,357	-	-	-	-	-	12,097,663	-	32,931,838
2028	21,226,656	(395,668)	20,830,988	7,304,135	78,172	2,705,012	5,270,357	-	-	-	-	-	15,357,675	-	36,188,663
2029	21,230,406	(395,668)	20,834,738	7,349,972	78,172	2,705,012	5,270,357	-	-	-	-	-	15,403,512	-	36,238,250
2030	21,231,294	(395,668)	20,835,625	7,384,268	78,172	2,705,012	5,270,357	-	-	-	-	-	15,437,808	-	36,273,434
2031	21,228,019	(395,668)	20,832,350	7,418,244	78,172	2,705,012	5,270,357	-	-	-	-	-	15,471,784	-	36,304,135
2032	21,152,043	(322,475)	20,829,569	7,441,534	78,172	2,705,012	5,270,357	-	-	-	-	-	15,495,075	-	36,324,643
2033	21,076,531	(246,437)	20,830,094	7,462,066	78,172	2,705,012	5,270,357	-	-	-	-	-	15,515,607	-	36,345,701
2034	21,000,644	(167,451)	20,833,193	7,480,453	78,172	2,705,012	5,270,357	-	-	-	-	-	15,533,994	-	36,367,186
2035	10,296,979	(85,305)	10,211,674	7,501,686	78,172	2,705,012	5,270,357	-	-	-	-	-	15,555,226	-	25,766,900
2036	6,006,000	-	6,006,000	6,981,715	78,172	2,705,012	5,270,357	-	-	-	-	-	15,035,256	-	21,041,256
2037	-	-	-	6,993,293	78,172	2,705,012	5,270,357	-	-	-	-	-	15,046,834	-	15,046,834
2038	-	-	-	7,008,911	78,172	2,705,012	5,270,357	-	-	-	-	-	15,062,451	-	15,062,451
2039	-	-	-	7,022,654	78,172	2,705,012	5,270,357	-	-	-	-	-	15,076,195	-	15,076,195
2040	-	-	-	7,031,079	78,172	2,705,012	5,270,357	-	-	-	-	-	15,084,620	-	15,084,620
2041	-	-	-	6,493,782	78,172	2,705,012	5,270,357	-	-	-	-	-	14,547,322	-	14,547,322
2042	-	-	-	6,487,200	78,172	2,705,012	5,270,357	-	-	-	-	-	14,540,741	-	14,540,741
2043	-	-	-	6,483,769	78,172	2,705,012	5,270,357	-	-	-	-	-	14,537,309	-	14,537,309
2044	-	-	-	6,476,134	78,172	2,705,012	5,270,357	-	-	-	-	-	14,529,675	-	14,529,675
2045	-	-	-	6,468,077	78,172	2,705,012	5,270,357	-	-	-	-	-	14,521,617	-	14,521,617
2046	-	-	-	6,454,965	78,172	2,705,012	5,270,357	-	-	-	-	-	14,508,505	-	14,508,505
2047	-	-	-	5,881,830	78,172	2,705,012	5,270,357	-	-	-	-	-	13,935,371	-	13,935,371
2048	-	-	-	-	78,172	2,705,012	5,270,357	-	-	-	-	-	8,053,541	-	8,053,541
2049	-	-	-	-	-	2,705,012	5,270,357	-	-	-	-	-	7,975,369	-	7,975,369
2050	-	-	-	-	-	-	5,270,357	-	-	-	-	-	5,270,357	-	5,270,357
2051	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2052	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2053	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2054	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2055	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	376,730,850	(6,191,284)	370,539,566	179,591,279	2,311,988	80,002,498	155,874,244	-	-	-	-	-	417,780,009	(10,238,947)	778,080,628

North Fort Bend Water Authority
Water Rate and Pumpage Fee Model - TWDB Application for SWSP

Coverage and Additional Bonds Test Results

Year Ended	Net Revenue Available for Debt Service	Coverage Account Balance	Total Available for Debt Service	Net Debt Service	Rate Covenant - Annual Debt Service Coverage from Net Revenue & Coverage		Debt Service Coverage from Net Revenues	Senior Lien ABT - MADS Coverage w/Net Revenue
					Acct			
2018	36,780,073	7,181,109	43,961,181	19,551,680		2.25	1.88	2.07
2019	39,938,016	7,857,362	47,795,378	24,858,345		1.92	1.61	2.25
2020	43,525,145	9,174,951	52,700,095	24,933,460		2.11	1.75	2.48
2021	44,297,740	9,174,951	53,472,690	27,644,286		1.93	1.60	2.52
2022	47,103,093	9,174,951	56,278,044	32,925,438		1.71	1.43	2.65
2023	51,354,449	9,174,951	60,529,399	32,929,552		1.84	1.56	2.85
2024	55,733,628	9,174,951	64,908,578	32,922,652		1.97	1.69	3.06
2025	62,767,305	9,174,951	71,942,256	32,918,856		2.19	1.91	3.39
2026	66,901,441	9,174,951	76,076,392	32,924,449		2.31	2.03	
2027	71,096,879	9,174,951	80,271,830	32,931,838		2.44	2.16	
2028	75,366,868	9,174,951	84,541,819	36,188,663		2.34	2.08	
2029	79,776,506	9,174,951	88,951,457	36,238,250		2.45	2.20	
2030	84,271,499	9,174,951	93,446,450	36,273,434		2.58	2.32	
2031	84,271,499	9,174,951	93,446,450	36,304,135		2.57	2.32	
2032	84,271,499	9,174,951	93,446,450	36,324,643		2.57	2.32	
2033	84,271,499	9,174,951	93,446,450	36,345,701		2.57	2.32	
2034	84,271,499	9,174,951	93,446,450	36,367,186		2.57	2.32	
2035	84,271,499	9,174,951	93,446,450	25,766,900		3.63	3.27	
2036	84,271,499	9,174,951	93,446,450	21,041,256		4.44	4.01	
2037	84,477,587	9,174,951	93,652,538	15,046,834		6.22	5.61	
2038	84,544,487	9,174,951	93,719,438	15,062,451		6.22	5.61	
2039	84,544,487	9,174,951	93,719,438	15,076,195		6.22	5.61	
2040	84,544,487	9,174,951	93,719,438	15,084,620		6.21	5.60	
2041	84,544,487	9,174,951	93,719,438	14,547,322		6.44	5.81	
2042	84,544,487	9,174,951	93,719,438	14,540,741		6.45	5.81	
2043	84,544,487	9,174,951	93,719,438	14,537,309		6.45	5.82	
2044	84,544,487	9,174,951	93,719,438	14,529,675		6.45	5.82	
2045	84,544,487	9,174,951	93,719,438	14,521,617		6.45	5.82	
2046	84,544,487	9,174,951	93,719,438	14,508,505		6.46	5.83	
2047	84,544,487	9,174,951	93,719,438	13,935,371		6.73	6.07	
2048	84,544,487	9,174,951	93,719,438	8,053,541		11.64	10.50	
2049	84,544,487	9,174,951	93,719,438	7,975,369		11.75	10.60	
2050	84,544,487	9,174,951	93,719,438	5,270,357		17.78	16.04	
2051	84,544,487	9,174,951	93,719,438	-	#DIV/0!		#DIV/0!	
2052	84,544,487	9,174,951	93,719,438	-	#DIV/0!		#DIV/0!	
2053	84,544,487	9,174,951	93,719,438	-	#DIV/0!		#DIV/0!	
2054	84,544,487	9,174,951	93,719,438	-	#DIV/0!		#DIV/0!	

Attachment C46
5-Year Operating Statement

NORTH FORT BEND WATER AUTHORITY
SUMMARY OF FINANCIAL RESULTS OF OPERATIONS

Fiscal Year ended December 31,

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
						(Unaudited)
Operating Revenues:						
Pumpage Fee Revenue	\$ 13,809,530	\$ 16,113,230	\$ 14,359,514	\$ 14,637,440	\$ 16,944,838	\$ 19,720,754
Surface Water Sales	4,125,599	7,708,816	13,267,599	16,458,019	19,731,702	21,312,549
Conservation / Reuse Credits	-	-	-	-	-	(737,668)
Other	134,701	355,450	37,301	27,692	46,897	167,172
Total Operating Revenues	<u>\$ 18,069,830</u>	<u>\$ 24,177,496</u>	<u>\$ 27,664,414</u>	<u>\$ 31,123,151</u>	<u>\$ 36,723,437</u>	<u>\$ 40,462,807</u>
Operating Expenses:						
Professional Fees	\$ 1,824,305	\$ 2,174,250	\$ 1,954,921	\$ 2,047,771	\$ 2,230,912	\$ 2,047,190
Contracted Services	232,372	336,861	381,904	439,385	440,951	399,321
Purchased Services	1,484,563	1,959,260	2,894,875	2,609,217	4,328,709	4,135,316
Operations Maintenance	712,863	864,302	1,316,790	1,777,426	1,437,128	1,496,793
Leased Payments - Pump St	227,712	233,405	198,539	-	-	-
Water Conservation Incentives	-	-	-	-	305,604	318,508
Other	275,346	310,605	417,923	417,979	390,053	684,971
Total Operating Expenses	<u>\$ 4,757,161</u>	<u>\$ 5,878,683</u>	<u>\$ 7,164,952</u>	<u>\$ 7,291,778</u>	<u>\$ 9,133,357</u>	<u>\$ 9,082,099</u>
Net Operating Revenues	<u>\$ 13,312,669</u>	<u>\$ 18,298,813</u>	<u>\$ 20,499,462</u>	<u>\$ 23,831,373</u>	<u>\$ 27,590,080</u>	<u>\$ 31,380,708</u>
Non-Operating Revenues (Expenses):						
Interest Income	176,117	154,016	134,177	122,539	276,816	330,816
Interest Expense	(6,499,292)	(9,446,904)	(9,326,197)	(10,190,545)	(10,165,126)	(12,813,302)
Professional Fees	(450,131)	(354,285)	(387,654)	(379,003)	(944,096)	(441,844)
Capital Contributions			910,665	-	-	-
Loan Forgiveness Grant			-	-	1,632,000	-
Gain on Sale of Fixed Assets			30,000	-	-	-
Waterline Connections	(1,176,998)	(3,293,126)	(885,546)	(4,778)	-	-
Other	-	(80,104)	(55,222)	(330,769)	(616,683)	239,208
Net Revenue	<u>\$ 5,362,365</u>	<u>\$ 5,278,410</u>	<u>\$ 10,919,685</u>	<u>\$ 13,048,817</u>	<u>\$ 17,772,991</u>	<u>\$ 18,695,586</u>

NORTH FORT BEND WATER AUTHORITY

FINANCIAL STATEMENTS

December 31, 2016

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**NORTH FORT BEND WATER AUTHORITY
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Independent Auditors' Report

Board of Directors
North Fort Bend Water Authority
Fort Bend County, Texas

We have audited the accompanying financial statements of the business type activities of North Fort Bend Water Authority (the "Authority"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion.

***Board of Directors
North Fort Bend Water Authority
Fort Bend County, Texas***

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of the Authority, as of December 31, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

McGuath & Co, PC

Houston, Texas
May 3, 2017

Management's Discussion and Analysis

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***North Fort Bend Water Authority
Management's Discussion and Analysis
December 31, 2016***

Using this Annual Report

Within this section of the financial report of the North Fort Bend Water Authority (the "Authority"), the Authority's management provides narrative discussion and analysis of the financial activities of the Authority, for the fiscal year ended December 31, 2016. This analysis should be read in conjunction with the basic financial statements that follow this section.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements, which are comprised of the following:

The *Statement of Net Position* presents information on all of the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Over time, increases or decreases in net position may serve as a useful indicator of changes in the financial position of the Authority.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the Authority's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., accounts receivable).

The *Statement of Cash Flows* presents information on the Authority's cash inflows and outflows during the year. Cash flows are categorized as operating activities, capital and related financing activities and investing activities. This statement includes a reconciliation of cash provided by the Authority's operating activities to operating income as reported on the *Statement of Revenues, Expenses and Changes in Net Position*.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis of the Authority

The Authority's net position at December 31, 2016 was \$36,523,188. Net position is the residual of assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources. Accounting standards establish the following three components of net position:

- The net investment in capital assets component represents the Authority's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.
- The unrestricted component of net position represents resources not included in the other components. This component includes non-spendable assets, such as unamortized prepaid bond insurance.

North Fort Bend Water Authority
Management's Discussion and Analysis
December 31, 2016

A comparative summary of the Authority's overall financial position, as of December 31, 2016 and December 31, 2015 is summarized as follows, based on information contained in the *Statement of Net Position*:

	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 121,223,528	\$ 100,523,783
Capital assets	<u>217,752,715</u>	<u>214,429,477</u>
Total assets	<u>338,976,243</u>	<u>314,953,260</u>
Current liabilities	12,065,269	11,558,349
Long term liabilities	<u>290,387,786</u>	<u>280,262,268</u>
Total liabilities	<u>302,453,055</u>	<u>291,820,617</u>
Net Position		
Net investment in capital assets	(33,324,474)	(42,264,515)
Restricted	32,034,856	30,980,746
Unrestricted	<u>37,812,806</u>	<u>34,416,412</u>
Total net position	<u>\$ 36,523,188</u>	<u>\$ 23,132,643</u>

The Authority's net operating income for the period ended December 31, 2016, was \$23,207,634 with net non-operating expense of \$9,817,089, resulting in an increase in net position of \$13,390,545. Non-operating revenues consist of interest income from the Authority's investments and Build America Bond rebates and revenues received from the Texas Water Development Board ("TWDB") loan forgiveness grant. Non-operating expenses consist of interest on long term debt, debt issuance costs and construction-related administrative costs.

A comparative summary of the Authority's operations for the period ended December 31, 2016 and December 31, 2015 is summarized as follows, based on information in the *Statement of Revenues, Expenses and Changes in Net Position*:

	<u>2016</u>	<u>2015</u>
Operating revenues	\$ 36,723,437	\$ 31,123,151
Operating expenses	<u>(13,515,803)</u>	<u>(11,294,832)</u>
Net operating income	23,207,634	19,828,319
Net non-operating expense	<u>(9,817,089)</u>	<u>(10,782,556)</u>
Change in net position	13,390,545	9,045,763
Net position, beginning of year	<u>23,132,643</u>	<u>14,086,880</u>
Net position, end of year	<u>\$ 36,523,188</u>	<u>\$ 23,132,643</u>

***North Fort Bend Water Authority
Management's Discussion and Analysis
December 31, 2016***

Capital Assets

Capital assets held by the Authority at the end of the current year and previous year are summarized as follows:

	<u>2016</u>	<u>2015</u>
Capital assets not being depreciated		
Land and right of way acquisition	\$ 8,627,739	\$ 8,378,229
Land and right of way acquisition - joint facilities	12,876,226	11,103,222
Construction in progress	7,869,953	15,294,254
Total capital assets not being depreciated	<u>29,373,918</u>	<u>34,775,705</u>
Capital assets being depreciated or amortized, net		
Water distribution system	94,417,219	86,139,990
Joint facilities	32,001,412	33,241,828
Capital Contributions - City of Houston	61,960,166	60,271,954
Total capital assets being depreciated or amortized, net	<u>188,378,797</u>	<u>179,653,772</u>
Total capital assets, net	<u>\$ 217,752,715</u>	<u>\$ 214,429,477</u>

During the current year, significant capital additions were:

- land and right-of-way acquisition costs
- capital contributions to the City of Houston's Northeast Water Purification Plant (NEWPP)
- capital contributions to the City of Houston's Northeast Transmission Line (NETL)
- water service lines to Segment 10A
- meter station communication upgrades
- various system wide projects

North Fort Bend Water Authority
Management's Discussion and Analysis
December 31, 2016

Long-Term Obligations

During the year, the Authority issued \$20,445,000 in Water System Junior Lien Revenue Bonds. Total long term obligations as of December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Revenue Bonds		
Water System Revenue Bonds, Series 2009	\$ 122,425,000	\$ 126,685,000
Water System Revenue Bonds, Series 2010A	37,160,000	39,215,000
Water System Revenue Bonds, Series 2010B	18,785,000	18,785,000
Water System Revenue Bonds, Series 2011	76,775,000	79,100,000
Water System Junior Lien Revenue Bonds, Series 2015	8,300,000	8,670,000
Water System Junior Lien Revenue Bonds, Series 2016A	9,420,000	
Water System Junior Lien Revenue Bonds, Series 2016B	11,025,000	
Unamortized discount/premium	<u>(379,063)</u>	<u>(406,114)</u>
	<u>283,510,937</u>	<u>272,048,886</u>
Share of Water Infrastructure Fund Bonds, Series 2012	<u>14,738,425</u>	<u>15,674,590</u>
Capital Contributions	<u>2,484,957</u>	<u>2,556,577</u>
Total long term obligations	<u>\$ 300,734,319</u>	<u>\$ 290,280,053</u>

The Water Infrastructure Fund Bonds, Series 2012 in the preceding table is for the Authority's pro-rata share of annual debt service on bonds issued by West Harris County Regional Water Authority pursuant to an agreement to jointly design, construct, finance, operate and maintain certain facilities (see Note 12).

The Authority's parity revenue bonds (Series 2009, Series 2010A, Series 2010B and Series 2011) carry an underlying rating of "A+" from Standard & Poor's and Fitch Ratings. The bonds also carry an insured rating of "AA" based on insurance issued by Assured Guaranty Municipal Corporation.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any information provided in this report or requests for additional information should be addressed to North Fort Bend Water Authority, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

Basic Financial Statements

North Fort Bend Water Authority
Statement of Net Position
December 31, 2016

Assets

Current assets

Cash	\$ 6,874,175
Investments	24,206,309
Accounts receivable	2,528,616
Other receivables	1,500,960
Accrued interest receivable	44,860
Prepaid expenses	1,680
Operating reserve - joint facilities	8,585

Total current assets	<u>35,165,185</u>
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Noncurrent assets

Restricted cash	30,624,195
Restricted investments	32,303,340
Water conservation credits	999,995
Unamortized prepaid bond insurance	3,288,528
Joint facilities - future capital costs (Note 12)	18,842,285
Capital assets	
Land, easements and rights-of- way	21,503,965
Construction in progress	7,869,953
Capital assets, net	188,378,797

Total noncurrent assets	<u>303,811,058</u>
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Total assets	<u>338,976,243</u>
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Liabilities

Current liabilities

Accounts payable	613,546
Accounts payable from restricted assets	384,594
Retainage payable from restricted assets	132,744
Accrued interest payable	587,852
Capital contributions, due within one year	75,368
Joint facilities WIF bonds share obligation, due within one year	936,165
Bonds payable, due within one year	9,335,000

Total current liabilities	<u>12,065,269</u>
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Noncurrent liabilities

Capital contributions, due in more than one year	2,409,589
Joint facilities WIF bonds share obligation, due in more than one year	13,802,260
Bonds payable, due in more than one year	274,175,937

Total noncurrent liabilities	<u>290,387,786</u>
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Total liabilities	<u>302,453,055</u>
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Net position

Net investment in capital assets	(33,324,474)
Restricted for debt service	29,413,202
Restricted for water conservation credits	999,995
Restricted for operations and maintenance reserve	1,621,659
Unrestricted	37,812,806

Total net position	<u>\$ 36,523,188</u>
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See Notes to Financial Statements.

North Fort Bend Water Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2016

Operating revenues	
Pumpage fees	\$ 16,944,838
Surface water	19,731,702
Other	46,897
Total operating revenues	<u>36,723,437</u>
Operating expenses	
Professional fees	2,230,912
Contracted services	440,951
Operations and maintenance	1,437,128
Purchased water	4,328,709
Depreciation and amortization	4,382,446
Other	695,657
Total operating expenses	<u>13,515,803</u>
Net operating income	<u>23,207,634</u>
Non-operating revenues (expenses)	
Interest income	276,816
Build America Bonds rebate	368,565
Debt issuance costs	(554,079)
Professional fees	(944,096)
Interest expense	(10,533,691)
TWDB loan forgiveness grant	1,632,000
Other	(62,604)
Net non-operating expense	<u>(9,817,089)</u>
Change in net position	13,390,545
Beginning net position	23,132,643
Ending net position	<u>\$ 36,523,188</u>

See Notes to Financial Statements.

North Fort Bend Water Authority
Statement of Cash Flows
For the Year Ended December 31, 2016

Cash flows from operating activities	
Receipts from participants	\$ 41,302,633
Payments to contractors and vendors	(9,170,381)
Net cash provided by operating activities	<u>32,132,252</u>
Cash flows from capital and related financing activities	
Paid for acquisition and construction of capital assets	(4,914,224)
Payment of interest on bonds	(12,766,198)
Payment of bond principal	(9,010,000)
Payment of WIF bond share obligation	(1,094,152)
Build America Bonds interest rebate	368,565
Bond proceeds	20,445,000
Payments to contractors and vendors	(1,000,278)
TWDB loan forgiveness grant	1,632,000
Debt issuance costs	(554,079)
Net cash used by capital and related financing activities	<u>(6,893,366)</u>
Cash flows from investing activities	
Interest received	288,437
Net cash provided by investing activities	<u>288,437</u>
Net increase in cash and cash equivalents	25,527,323
Cash and cash equivalents - beginning of year	<u>62,964,765</u>
Cash and cash equivalents - end of year	<u><u>\$ 88,492,088</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 23,207,634
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation and amortization expense	4,382,446
Non-cash revenue from capital contribution credits	(196,719)
Change in assets and liabilities:	
Decrease in accounts receivable	4,775,915
Decrease in prepaid expense	570
Increase in conservation credits	(139,476)
Decrease in accounts payable	101,882
Total adjustments	<u>8,924,618</u>
Net cash provided by operating activities	<u><u>\$ 32,132,252</u></u>
Cash and cash equivalents per Statement of Net Position:	
Cash	\$ 6,874,175
Cash Equivalents Reported as Investments	24,206,309
Restricted Cash	30,624,195
Cash Equivalents Reported as Restricted Investments	<u>26,787,409</u>
	<u><u>\$ 88,492,088</u></u>

See Notes to Financial Statements.

Note 1 – Summary of Significant Accounting Policies

The North Fort Bend Water Authority (the “Authority”) was created in 2005 under Article 16, Section 59 of the Texas Constitution by Senate Bill 1798, as passed by the Texas Legislature and as amended and codified in Chapter 8813, Texas Special District Laws Code (the “Act”). The Authority began operations in September, 2005. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater and for the reduction of groundwater withdrawals.

The Authority charges a fee based on the amount of water pumped from a well or surface water delivered to the owner of wells located in the Authority’s boundaries, unless exempted. The Authority also charges a fee for importation of water into the Authority’s boundaries. The fees established by the Board of Directors should be sufficient to: (1) achieve water conservation, prevent waste of water, serve as a disincentive to pumping groundwater and make available alternative water supplies; and (2) enable the Authority to meet operation and maintenance expenses and pay the principal and interest on any debt issued by the Authority.

The Authority has contracted with various consultants to provide services to operate and administer the affairs of the Authority. The Authority has no employees, related payroll or pension costs.

The accounting policies of the Authority conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the most significant policies:

Reporting Entity

The Authority is a political subdivision of the State of Texas governed by an appointed seven-member Board. As required by generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions as part of the Authority’s financial reporting entity. No other entities, organizations or functions have been included in the Authority’s financial reporting entity. Additionally, as the Authority is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the Authority’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the Authority is a part of any other governmental or other type of reporting entity. The overriding elements considered in determining that the Authority’s financial reporting entity status is that of a primary government are: that it has a separate governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additional criteria include (1) considerations pertaining to organizations for which the primary government is financially accountable and (2) considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Note 1 – Summary of Significant Accounting Policies (continued)

Basic Financial Statements

The basic financial statements include the *Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows* and *Notes to Financial Statements*. These statements focus on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from these activities for the fiscal year.

Measurement Focus and Basis of Accounting

The Authority follows proprietary fund accounting and reporting requirements, which utilize the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The Authority's principal operating revenues are charges to participants for pumpage fees and water supply. Operating expenses include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Net position is classified, when applicable, into the following three components:

- Net investment in capital assets – this component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation/amortization and reduced by the outstanding balances of any bonds, notes or other borrowings.
- Restricted – resources that can be spent only for specific purposes because constraints on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed through enabling legislation.
- Unrestricted – amounts that do not meet the definition of the previous two categories. Included in the Authority's unrestricted net assets of \$37,812,806, is \$29,863,679 which the Authority has deposited into separate bank/investment accounts and has designated as the improvement fund.

When both restricted and unrestricted resources are available for use, it is generally the Authority's policy to use restricted resources first.

Cash and Cash Equivalents

For the purposes of the *Statement of Cash Flows*, the Authority considers investments in investment pools and certificates of deposit to be cash equivalents.

North Fort Bend Water Authority
Notes to Financial Statements
December 31, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by an allowance for amounts considered uncollectible. At December 31, 2016, an allowance was not considered necessary for possible uncollectible accounts.

Capital Assets

The Authority defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Capital assets, except for land, easements, rights-of-way and construction in progress, are depreciated using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Water distribution system	45 years
Joint facilities	20 - 45 years
Capital contributions	80 years (max)

Interest costs on assets acquired with tax-exempt borrowings are capitalized, net of interest earned on related interest-bearing investments acquired with proceeds of the related borrowings, from the date of borrowing until the assets are ready for their intended use. During the current fiscal year, the Authority incurred interest costs of \$10,533,691 on construction-related borrowings and capitalized \$2,773,312 of net interest.

Budgeting

The Board of Directors annually adopts an unappropriated budget for the Authority.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

North Fort Bend Water Authority
Notes to Financial Statements
December 31, 2016

Note 2 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash and certificates of deposit) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the Authority's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third party custodian. The act further specifies the types of securities that can be used as collateral. The Authority's written investment policy establishes additional requirements for collateralization of deposits.

Restricted Cash

At December 31, 2016, restricted cash was comprised of the following:

Capital improvements	\$ 5,775,732
TWBD escrow	24,848,463
	<u>\$ 30,624,195</u>

Investments

The Authority is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The Authority has adopted a written investment policy to establish the principles by which the Authority's investment program should be managed. This policy further restricts the types of investments in which the Authority may invest.

North Fort Bend Water Authority
Notes to Financial Statements
December 31, 2016

Note 2 – Deposits and Investments (continued)

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The Authority’s investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

As of December 31, 2016, the Authority’s investments and maturities are as follows:

Type	Carrying Value	Percentage of Total	Maturities in Years	
			Less than 1	1-5
TexPool				
Unrestricted - Improvement fund	\$ 20,955,750	36%	\$ 20,955,750	\$ -
TexSTAR				
Unrestricted	195,880			
Restricted - Operations and maintenance	1,621,659			
Restricted - Debt service	15,287,150			
Restricted - Acquisition of capital assets	707,986			
	<u>17,820,795</u>	<u>32%</u>	17,820,795	
Certificates of Deposit				
Restricted - Debt service	9,170,612			
Unrestricted - Improvement Fund	3,046,561			
	<u>12,217,173</u>	<u>22%</u>	12,217,173	
Treasury Notes				
Restricted - Debt service	4,972,634	9%		4,972,634
San Antonio Independent School District Bond				
Restricted - Debt service	543,297	1%		543,297
	<u>\$ 56,509,649</u>	<u>100%</u>	<u>\$ 50,993,718</u>	<u>\$ 5,515,931</u>

The Authority considers the investments in TexPool and TexSTAR to have a maturity of less than one year because the weighted average maturities of these pools are 85 days and 96 days, respectively. TexPool and TexSTAR are rated AAAM by Standard and Poor’s and the San Antonio Independent School District Bonds are rated Aa2 by Moody’s.

Note 2 – Deposits and Investments (continued)

Investment Valuation

The Authority's investments in U.S. treasuries, municipal bonds and TexSTAR are reported at fair value in the *Statement of Net Position*. The Authority implemented GASB Statement No. 72, "Fair Value Measurement and Application," during the current fiscal year. This statement establishes a hierarchy of inputs used to measure fair value as follows: Level 1 inputs are based on quoted prices for identical securities in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs.

Fair value measurements of the Authority's investments as of December 31, 2016 are as follows:

- U.S. Treasury Notes: valued at \$4,972,634 based on quoted market prices (level 1 inputs).
- San Antonio Independent School District bonds: valued at \$543,297 based on yield curves, which are adjusted throughout the day based on trades and other pertinent market information (level 2 inputs).
- TexSTAR: valued at \$17,820,795 based on published fair value per share (level 1 inputs).

TexPool

The State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool (TexPool). Such oversight includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the Authority's position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

TexSTAR

The Texas Short Term Asset Reserve fund (TexSTAR) is managed by First Southwest, a division of Hilltop Securities, Inc., and J.P. Morgan Investment Management, Inc. First Southwest provides participant and marketing services while J.P. Morgan provides investment management services. Custodial and depository services are provided by J.P. Morgan Chase Bank N.A. or its subsidiary.

The Authority's investment in TexSTAR is reported at fair value because TexSTAR uses fair value to report investments. Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

North Fort Bend Water Authority
Notes to Financial Statements
December 31, 2016

Note 3 – Water Conservation Credits

The Authority participates in the Water Wise Program sponsored by the Fort Bend Subsidence District (“FBSD”). This program is an educational program dedicated to teaching local students about the importance of water conservation. The Authority receives a Certificate of Deposit water conservation credit equal to 84,000 gallons of groundwater for each student sponsored. Redemption of the Certificate of Deposit requires the FBSD to increase the redeemer’s groundwater allocation by the amount of the water conservation credit, provided however, that the Certificates of Deposit issued beginning with the 2001-2002 school year (Series B) may only be applied to a maximum of 30 percent of the permittee’s total water demand. The Authority began purchasing water conservation credits from other municipalities in 2007. The cost paid to the FBSD to sponsor each student and the cost paid to other municipalities to purchase water conservation credits is recorded as an asset and will be expensed in the year in which the credits(s) are redeemed. As of December 31, 2016, the Authority has invested \$999,995 in water conservation credits.

Note 4 – Other Receivables

Other receivables as of December 31, 2016 are comprised of the following:

Due from City of Houston (Note 11)	\$	567,279
Due from West Harris County RWA (Note 12)		933,681
	\$	<u>1,500,960</u>

North Fort Bend Water Authority
Notes to Financial Statements
December 31, 2016

Note 5 – Capital Assets

A summary of capital asset activity for the year ended December 31, 2016 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated				
Land and ROW acquisition	\$ 8,378,229	\$ 249,510	\$ -	\$ 8,627,739
Land and ROW acquisition - joint facilities	11,103,222	1,773,004		12,876,226
Construction in progress	15,294,254	2,980,577	(10,404,878)	7,869,953
Subtotal non-depreciable capital assets	<u>34,775,705</u>	<u>5,003,091</u>	<u>(10,404,878)</u>	<u>29,373,918</u>
Capital assets being depreciated/amortized				
Water distribution system	91,989,578	10,404,881		102,394,459
Joint facilities	35,048,686			35,048,686
Capital Contributions - City of Houston	69,394,098	2,702,590		72,096,688
Subtotal	<u>196,432,362</u>	<u>13,107,471</u>		<u>209,539,833</u>
Less accumulated depreciation/amortization				
Water distribution system	(5,849,588)	(2,127,652)		(7,977,240)
Joint facilities	(1,806,858)	(1,240,416)		(3,047,274)
Capital Contributions - City of Houston	(9,122,144)	(1,014,378)		(10,136,522)
Subtotal	<u>(16,778,590)</u>	<u>(4,382,446)</u>		<u>(21,161,036)</u>
Subtotal depreciable capital assets, net	<u>179,653,772</u>	<u>8,725,025</u>		<u>188,378,797</u>
Total capital assets, net	<u>\$ 214,429,477</u>	<u>\$ 13,728,116</u>	<u>\$ (10,404,878)</u>	<u>\$ 217,752,715</u>

Depreciation/amortization expense for the current year was \$4,382,446.

Note 6 – Bonds Payable

Bonds payable as reported on the *Statement of Net Position* is comprised of the following:

Bonds payable	\$ 283,890,000
Unamortized discounts/premium	(379,063)
Total	<u>\$ 283,510,937</u>
Due within one year	\$ 9,335,000
Due after one year	274,175,937
	<u>\$ 283,510,937</u>

North Fort Bend Water Authority
Notes to Financial Statements
December 31, 2016

Note 6 – Bonds Payable

The Authority's bonds payable at December 31, 2016, consisted of the following individual issues:

	Water System Revenue Bonds Series 2009	Water System Revenue Bonds Series 2010A	Water System Revenue Bonds Series 2010B	Water System Revenue Bonds Series 2011
Amount outstanding, end of year	\$122,425,000	\$37,160,000	\$18,785,000	\$76,775,000
Interest rates	3.00% - 5.25%	3.00% - 5.00%	6.018%	2.00%-5.25%
Maturity dates: (beginning - ending)	December 15, 2011-2020 2024, 2034	December 15, 2015-2030	December 15, 2011-2035	December 15, 2014-2036
Interest payment dates	June 15 and December 15	June 15 and December 15	June 15 and December 15	June 15 and December 15
Callable dates	December 15, 2019*	December 15, 2020*	December 15, 2020*	December 15, 2021*
	Junior Lien Water System Revenue Bonds Series 2015	Junior Lien Water System Revenue Bonds Series 2016A	Junior Lien Water System Revenue Bonds Series 2016B	
Amount outstanding, end of year	\$8,300,000	\$9,420,000	\$11,025,000	
Interest rates	0.19% - 2.41%	0.0% - 1.02%	0.65% - 3.04%	
Maturity dates: (beginning - ending)	December 15, 2016-2035	December 15, 2018-2040	December 15, 2018-2046	
Interest payment dates	June 15 and December 15	June 15 and December 15	June 15 and December 15	
Callable dates	December 15, 2026*	December 15, 2026*	December 15, 2026*	

* Or any date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the Authority. Series 2009 term bonds maturing December 15, 2024 and December 15, 2034 are subject to mandatory redemption beginning December 15, 2021, and December 15, 2025, respectively. Series 2010B term bonds maturing December 15, 2035 are subject to mandatory redemption beginning December 15, 2031. The Series 2010B bonds are Direct Subsidy Bonds that provide a current federal subsidy of 35% of the interest paid on the bonds to the issuer, a program of the American Recovery and Reinvestment Act of 2009. The Series 2011 term bonds maturing December 15, 2036 are subject to mandatory redemption beginning December 15, 2032.

North Fort Bend Water Authority
Notes to Financial Statements
December 31, 2016

Note 6 – Bonds Payable (continued)

The Series 2010B bonds are direct subsidy Build America Bonds. The Build America Bond program was enacted as part of the American Recovery and Reinvestment Act of 2009. The program allows state and local governments to issue taxable bonds (instead of the tax-exempt bonds usually issued by governmental entities) for the construction of public infrastructure and to receive a direct federal subsidy equal to thirty-five percent of the amount of interest paid to bondholders. Bond proceeds may be used only for those purposes for which tax-exempt bonds may be issued. In order to receive the subsidy, the Authority must file the appropriate return with the Internal Revenue Service between 90 and 45 days before the scheduled interest payment date. During the current fiscal year, the Authority received subsidies in the amount of \$368,565.

The Texas Water Development Board (“TWDB”) made a commitment to the Authority for financial assistance in the amount of \$555,845,000 from the State Water Implementation Revenue Fund. The TWDB agreed to purchase water system junior lien revenue bonds from the Authority each year from 2015 through 2022. The proceeds are to be used for the Northeast Water Purification Plant Expansion in the amount of \$251,845,000 and Surface Water Supply Project in the amount of \$304,000,000. During the current fiscal year, the Authority sold \$11,025,000 of water system junior lien Series 2016B bonds to the TWDB related to this commitment.

The Authority also sold \$9,420,000 of water system junior lien Series 2016A bonds to the TWDB, funded from the Clean Water State Revolving Fund (CWSRF), and received a loan forgiveness grant of \$1,632,000 from the TWDB from the CWSRF.

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2016:

Bonds payable, beginning of year	\$ 272,455,000
Add: Bonds issued	20,445,000
Less: Bonds retired	(9,010,000)
Bonds payable, end of year	<u>\$ 283,890,000</u>
Total original bonds issued	<u>\$ 312,615,000</u>

North Fort Bend Water Authority
Notes to Financial Statements
December 31, 2016

Note 6 – Bonds Payable (continued)

As of December 31, 2016, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 9,335,000	\$ 12,770,222	\$ 22,105,222
2018	10,320,000	12,357,726	22,677,726
2019	10,725,000	11,960,204	22,685,204
2020	11,145,000	11,537,147	22,682,147
2021	11,585,000	11,102,961	22,687,961
2022-2026	65,905,000	47,647,826	113,552,826
2027-2031	81,870,000	31,869,451	113,739,451
2032-2036	76,230,000	10,566,940	86,796,940
2037-2041	4,210,000	623,788	4,833,788
2042-2046	2,565,000	238,944	2,803,944
	<u>\$ 283,890,000</u>	<u>\$ 150,675,207</u>	<u>\$ 434,565,207</u>

Note 7 - Indenture of Trust

The Authority entered into the Indenture of Trust (the “Indenture”) dated as of June 1, 2009, the First Supplemental Indenture of Trust, dated as of June 1, 2009, the Second Supplemental Indenture of Trust, dated as of September 1, 2010, the Third Supplemental Indenture of Trust, dated as of October 1, 2011, the Fourth Supplemental Indenture of Trust, dated as of November 1, 2015, the Fifth Indenture of Trust, dated as of August 15, 2016, and the Sixth Supplemental Indenture of Trust, dated October 1, 2016, with Regions Bank, in its capacity as Trustee (the “Trustee”) for the purpose of establishing various funds and assigning and pledging the monies held by the Trustee to secure the payment of principal and interest on the bonds and payments of certain obligations. The Fourth Supplement established slightly less restrictive requirements for the junior lien bonds. The Trustee is responsible for allocating certain available monies of the Authority in accordance with the terms of the Indenture. The following are certain requirements and provisions of the Indenture:

- A. The Authority is required to maintain a Coverage Fund. The Authority is required to establish by each fiscal year end a balance of 1) for Parity Bonds, Parity Notes, and Parity Obligations, twenty-five percent (25%) of its maximum annual debt service requirement, and 2) for Junior Lien Bonds, Junior Lien Notes, and Junior Lien Obligations, twenty-five percent (25%) of their maximum annual debt service requirements. The maximum annual debt service requirement for Parity Bonds is currently \$21,231,750 with 25% being \$5,307,938. The maximum annual debt service requirement for Junior Lien Bonds is currently \$1,569,340, with 25% being \$392,335. As of December 31, 2016, the Coverage Fund cash balance is \$5,700,273.

Note 7 - Indenture of Trust (continued)

- B. The Indenture also calls for the establishment of a Reserve Fund Requirement. The Reserve Fund Requirement is established and stipulated to be \$21,231,750, which is the lesser of (i) the maximum annual debt service requirement or (ii) 125% of the average annual aggregate debt service requirement. The Reserve Fund Requirement has been satisfied by cash deposits and interest earnings thereon from proceeds of the Series 2009 bonds, Series 2010A bonds, Series 2010B bonds, Series 2011 bonds, Series 2015 bonds, Series 2016A bonds, and Series 2016B bonds, totaling \$21,231,750 as of December 31, 2016.
- C. The Agreement calls for the establishment of a Junior Lien Reserve Fund Requirement, which for Junior Lien Bonds and Junior Lien Notes, is the average annual aggregate debt service requirement on the Junior Lien Bonds and Junior Lien Notes, calculated as of the date of issuance of each series. Upon issuance of the Series 2016B Bonds, the amount of the Junior Lien Reserve Fund Requirement is established to be \$1,220,147. The Junior Lien Reserve Fund Requirement was satisfied by cash deposits and interest earnings thereon from proceeds of the Series 2015, Series 2016A and Series 2016B bonds, totaling \$1,220,147 as of December 31, 2016.
- D. The Indenture states that the Authority will provide continuing disclosure of certain financial information and operating data to the Municipal Securities Rulemaking Board's electronic municipal market access system. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year.
- E. The Authority has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148 (f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the 5th year anniversary of each issue.

Note 8 – Capital Advance and Reimbursement Procedures

Prior to each new bond issue, the Authority may opt to adopt a Resolution Authorizing Capital Advance and Reimbursement Procedure (each a "Resolution") pursuant to Section 8813.104 of the Act to provide each district or municipality within its boundaries information regarding the share of capital costs allocable to such district or municipality, and to provide each district or municipality the opportunity to fund its share of the capital costs and to provide a mechanism for the reimbursement credit thereof.

During 2008, and pursuant to a Resolution, two districts elected to make capital contributions totaling \$3,047,771. Contributions were received from Cinco Municipal Utility District No. 8 ("Cinco 8") in February 2010 in the amount of \$1,847,771. As of December 31, 2016, the Authority has not received contributions from the other district.

North Fort Bend Water Authority
Notes to Financial Statements
December 31, 2016

Note 8 – Capital Advance and Reimbursement Procedures (continued)

With the addition of an issuance cost component, the total principal amount of the reimbursement credit to be received by Cinco 8 is \$1,861,676. The reimbursement credit, which includes interest, will be provided in 310 equal monthly credits to be applied against all fees, rates and charges due to the Authority for groundwater pumpage and/or surface water purchased. The monthly reimbursement credit to Cinco 8 for these capital contributions is \$11,115.

During 2012, Cinco 8 made an additional capital contribution in the amount of \$990,496 to the Authority to fund its share of capital costs. With the addition of an issuance cost component, the total principal amount of the reimbursement credit to be received by Cinco 8 is \$998,123. The reimbursement credit, which includes interest, will be provided in 304 equal monthly credits to be applied against all fees, rates and charges due to the Authority for groundwater pumpage and/or surface water purchased. The monthly reimbursement credit to Cinco 8 for this capital contribution is \$5,575.

During the current fiscal year, the interest cost on all contribution credits was \$128,657. The following is a schedule of the credits and interest to be given to Cinco 8 by the Authority.

Year	Principal	Interest	Total
2017	\$ 75,368	\$ 124,910	\$ 200,278
2018	79,310	120,967	200,277
2019	83,461	116,816	200,277
2020	87,830	112,448	200,278
2021	92,429	107,849	200,278
2022-2026	540,059	461,328	1,001,387
2027-2031	697,317	304,071	1,001,388
2032-2036	763,929	104,081	868,010
2037	65,254	1,703	66,957
	<u>\$ 2,484,957</u>	<u>\$ 1,454,173</u>	<u>\$ 3,939,130</u>
Payable Within One Year	<u>\$ 75,368</u>	<u>\$ 124,910</u>	<u>\$ 200,278</u>
Payable After One Year	<u>\$ 2,409,589</u>	<u>\$ 1,329,263</u>	<u>\$ 3,738,852</u>

The change in the Authority's liability for capital contributions during the year is as follows:

Balance at beginning of year	\$ 2,556,577
Principal reductions	<u>(71,620)</u>
Balance at end of year	<u>\$ 2,484,957</u>

Note 9 – Over-Conversion Credit Policy

The FBSD has adopted a policy by which the FBSD issues over-conversion credits (1) achieved through the reuse of wastewater treatment plant effluent ("Effluent") in the amount of 1.5 gallons for each gallon of Effluent over-conversion, and (2) achieved through the use of any metered alternative water supply other than Effluent ("Non-Effluent Alternative Water Supply") in the amount of one gallon for each gallon of metered alternative water supply. On November 21, 2013, the Authority adopted an amended and restated Over-Conversion Credit Policy (the "Policy"), under which the Authority is willing to consider proposals for all Effluent and Non-Effluent Alternative Water Supply projects on a case by case basis. While the Authority reserved the right to consider any proposals that were not directly contemplated by the Policy, the Policy contains the following guidelines.

For Effluent and Non-effluent water supply projects, the Authority shall endeavor to enter into written contracts ("Contracts") for the use of Effluent within its boundaries. Such Contracts may include a credit of up to \$0.75 per 1,000 gallons for each 1,000 gallons of metered Effluent or Non-Effluent Alternative Water Supply used ("Credits") to be applied against pumpage fees (or any other fees) due the Authority. The credits may be earned for a period equal to the life of the bonds used to finance such projects or such other period as determined by the Authority to allow for reasonable recovery of some or all project costs. FBSD over-conversion credits associated with the Effluent during the life of the reuse system will belong to the Authority for the benefit of the Authority's groundwater reduction plan (the "GRP"). The Contracts will include a provision that Credits shall only be awarded to the extent the Authority receives the over-conversion credit from FBSD.

Note 10 – Groundwater Reduction Plan Participation Agreements

The Authority entered into Groundwater Reduction Plan Participation Agreements with The George Foundation, Kingdom Heights Homeowners Association, Inc., Champion Technologies, Inc., City of Arcola, Royal Valley Utilities, Inc., Chemical Lime, Ltd., Fort Bend County Fresh Water Supply District No. 1, Fort Bend County Municipal Utility District No. 189, Fort Bend County Municipal Utility District No. 131, and Orbit Systems, Inc. (the "participants"). The participants are located outside the Authority's boundaries. The Authority agreed to include the participants into the Authority's groundwater reduction plan as non-voting members and the participants agreed to pay the Authority the monthly water well pumpage fee. The term of each agreement is 40 years and shall automatically renew for successive five-year periods, unless the other party gives written notice of its intent to terminate. The Authority has also entered into a Groundwater Participation Agreement with Fort Bend Municipal Utility District No. 141 and a water well Permitting and Groundwater Reduction Plan Responsibility Agreement with Cinco Municipal Utility District No. 1 for one permitted water well located in Harris County.

Note 11 – Water Supply Contract with the City of Houston

The Authority receives its surface water supply from the City of Houston (the “City”). The Authority entered into a Water Supply Contract (the “Contract”) with the City, on July 29, 2008, as subsequently supplemented and amended, for the purchase of capacity in certain of the City’s untreated water facilities (i.e, reservoirs, canals, etc.) and treated water facilities, including transmission facilities. The original Contract provided the Authority with 19.5 mgd capacity in both treated and untreated facilities.

The City is responsible for the design, construction, ownership, maintenance and operation of the water facilities that are upstream of the point(s) of delivery to the Authority. The Authority is responsible for the design, construction, ownership, maintenance and operation of its water facilities located downstream of the point(s) of delivery.

The City has executed similar contracts with West Harris County Regional Water Authority, the North Harris County Regional Water Authority, and the Central Harris County Regional Water Authority (the “Other Authorities”).

Pursuant to the original Contract, the Authority paid the City \$47,087,533 for treated water facilities. The payment consisted of \$26,184,758 for plant facilities, \$17,342,197 for surface water transmission lines, and \$4,842,139 for the Southwest re-pump station, less an interest adjustment of \$1,281,561. The Authority also paid \$13,712,603 in capital costs for untreated water facilities.

Luce Bayou Interbasin Transfer Project (First Supplement)

In January 2009, the Authority and the City executed the First Supplement (the “First Supplement”) to the Water Supply Contract to finance, design, and construct the Luce Bayou Interbasin Transfer Project (“Luce Bayou”) that will deliver approximately 400 million gallons per day of untreated surface water from the Trinity River to Lake Houston in order to increase untreated surface water supplies available to the City, the Authority, and Other Authorities receiving surface water from the City. The First Supplement provides that the Coastal Water Authority (the “CWA”) will serve as the project manager for the purpose of designing and constructing Luce Bayou and the City will issue (or cause CWA to issue) bonds, notes, or other obligations to finance Luce Bayou.

In 2012, the CWA received financial assistance in the amount of \$28,754,000 from the State of Texas under the State Participation program. The First Supplement was subsequently amended in 2013 by the First Amendment to the First Supplement to Water Supply Contract (the “Amendment”) to address the impact of this obligation on the Authority’s payments to the City.

Under the terms of the contract, the Authority will make the following payments to the City:

- Lump Sum Payments for Project Right of Way Costs and Payment of CWA Interest Costs;
- Payments for Existing Untreated Water Supply Facilities; and
- Payments for Phases 1 and 2 Annual New Untreated Water Facilities.

Note 11 – Water Supply Contract with the City of Houston (continued)

Luce Bayou Interbasin Transfer Project (First Supplement) (continued)

Lump Sum Payments: As of December 31, 2016, the Authority paid the City \$1,514,000 for its pro-rata share of the estimated right-of-way costs. The City and the Authority agreed to “true-up” the payments made by the Authority for the right-of-way costs such that if the Authority has underpaid, taking into account interest accrued, it will pay the City for the shortfall within 60 days of receiving the final accounting and the City agrees to refund the Authority any overpayment within 60 days of receiving the final accounting. During the current fiscal year, the City refunded \$95,080 related to the true-up of land and mitigation costs, and the Authority paid \$33,824 for its share of CWA interest costs.

Payments for Existing Untreated Water Facilities: The Authority seeks to increase its Untreated Water Facilities Demand from 19.5 mgd to 75.3 mgd, which is currently estimated to be the Authority’s surface water demand in the year 2040. Under the terms of the First Supplement, the Authority is required to make four payments to the City for Existing Untreated Water Facilities. Each payment is based on a formula defined in the First Supplement based on the Authority’s water demand needs in 2025, 2030, 2035 and 2040. The payments are projected to be due on October 1, 2020, 2025, 2030, and 2035, respectively.

Payment for Phases 1 and 2 Annual New Untreated Water Facilities: Payments made to the City for Phase 1 and Phase 2 Annual New Untreated Water Facilities are to be used only for the purpose of making debt service payments on obligations issued by either the City or CWA for the construction of Phase 1 and Phase 2 of Luce Bayou. The formulas used to calculate payments are defined in the contract and take into consideration the Authority’s 75.3 mgd untreated water reservation, the total amount of untreated water sold by the City to all customers and the City’s annual debt service requirement. As previously mentioned, the CWA received financial assistance in the amount of \$28,754,000 in the 2013 fiscal year from the State of Texas under the State Participation Program. The Authority’s pro-rata share of debt service payments on this obligation will be repaid over 33 years, beginning in 2018.

Monthly Payments and Annual True-ups: The Authority is required to reimburse the City on a periodic basis for the expenses incurred by the City in producing and treating the water delivered to the Authority. The Authority makes monthly payments to the City based upon its actual usage and the City’s estimated costs as budgeted for the fiscal year (as a rate per 1,000 gallons). The payments consist of an operation and maintenance component (i.e., purchased water) and a rehabilitation capital cost component. The City is required to engage an independent auditor to prepare a true-up based on actual costs at the end of each fiscal year.

During the current fiscal year, the Authority recorded an expense of \$4,328,709 for purchased water, which includes true-up costs for fiscal year 2016 of \$224,511. The Authority also reduced capital contributions for rehabilitation costs in the amount of \$959,575. As of December 31, 2016, the Authority has recorded a receivable from the City in the amount of \$567,279 for the 2014, 2015 and 2016 true-ups.

Note 11 – Water Supply Contract with the City of Houston (continued)

Northeast Water Purification Plant Expansion Project (Second Supplement)

On February 25, 2015, the Authority and the City executed the Second Supplement to the Water Supply Contract to increase the supply of treated water to the Authority from 19.5 mgd to 88 mgd. In order to provide this additional capacity, the City will expand the Northeast Water Purification Plant in 2 phases. Phase 1 will provide the Authority with an additional 11.46 mgd capacity no later than August 31, 2021 and Phase 2 will provide an additional 57.04 mgd of capacity no later than June 30, 2024.

The Second Supplement provides that the Authority's estimated share of total costs is approximately \$270 million; however, these cost assumptions are currently under review by the parties participating in the project and it is anticipated that, upon completion the review, the cost estimate will increase, the phasing may be adjusted and the delivery dates may be delayed. These revisions could substantially increase the cost of the project and delay completion of the project. The City will issue cash calls as needed to fund the expansion. As of December 31, 2016, the Authority has paid the City \$2,755,730 in cash calls and has deposited \$4,579,510 into an escrow account with the City of Houston pursuant to the Second Supplement to the Water Supply Contract. The Authority also paid the City \$391,461 for costs incurred for the project prior to December 1, 2014.

Northeast Transmission Line (Third Supplement)

On November 10, 2015, the Authority and the City executed the Third Supplement to the Water Supply Contract to clarify and agree to the terms for the cost sharing, permitting, engineering, surveying, construction, operation and maintenance necessary for the Segment 1 of the Northeast Transmission Line. The Authority's Segment 1 reservation is 68.5 mgd. The Authority's estimated share of the total costs is approximately \$3,035,683. During the current year, the Authority paid to the City \$407,653 for design costs. The City will invoice the Authority prior to engaging a design engineer and prior to awarding the construction contract.

The Water Supply Contract and all supplements remain in effect until January 1, 2080.

Note 12 – Joint Facilities Agreement

On July 1, 2011, as amended March 1, 2012, the Authority and West Harris County Regional Water Authority (the "West Harris Authority") entered into a Joint Facilities Agreement (the "Agreement") to jointly design, acquire, construct, finance, operate and maintain certain booster pump stations and water transmission facilities to receive water from the City of Houston for ultimate delivery to the Authorities' respective customers.

Note 12 – Joint Facilities Agreement (continued)

Segments 0 & 1A. The Authority is responsible for the design and construction of Segments 0 & 1A. The West Harris Authority will pay to the Authority its pro rata share of total project costs which varies depending on the segment. The Authority will hold legal title to the segments for the benefit of both parties. Each authority will have an equitable interest to the extent of its pro rata share. The Authority's independent auditor performed a final accounting of project costs to determine the amount due from the West Harris Authority. As of December 31, 2016, the estimated amount due is from the West Harris Authority is \$30,286 for Segment 0, \$346,891 for Segment 1A, and \$800 for accounting fees. These amounts are included in Other Receivables on the *Statement of Net Position*.

Bellaire Pump Station. The Authority is responsible for the purchase of land for the Bellaire Pump Station as well as the design and construction of Phases 1 and 2. In previous fiscal years, the West Harris Authority paid the Authority \$364,550 for its portion of realty costs associated with the Bellaire Pump Station, and \$6,201,866 for its share of pump station construction costs. Phase 1 of the Bellaire Pump Station was completed in 2014. The Authority's independent auditor performed a final accounting of project costs. The estimated amount due from the West Harris Authority as of December 31, 2016, is \$555,704, which is included in Other Receivables on the *Statement of Net Position*.

Phase 2 is planned to add capacity to the Bellaire Pump Station for the benefit of the West Harris Authority. The Authority will design and construct Phase 2 provided that the West Harris Authority pays all Phase 2 project costs. The Authority will invoice the West Harris Authority for 100% of Phase 2 design and construction costs.

Surface Water Supply Project. The Surface Water Supply Project consists of water mains, pump stations, re-pump stations, re-pressurization stations and related appurtenances needed to convey water from Houston's Northeast Water Plant to the authorities. Under the Agreement, the Surface Water Supply Project is required to be complete no later than June 30, 2019. On January 9, 2013, the Harris Galveston Subsidence District ("HGSD") delayed the 70% alternate water supply requirement that is required by the year 2020 under HGSD's regulations until 2025. Accordingly, the Agreement provides that the June 30, 2019 date is extended to June 30, 2024. The agreement provides a total cost estimate of approximately \$542,419,000 for the Surface Water Supply Project and provides the West Harris Authority will update such estimate annually. The West Harris Authority will own and operate the Surface Water Supply Project for the benefit of both parties. Each authority will have an equitable interest to the extent of its pro-rata share.

The West Harris Authority will invoice the Authority for estimated engineering costs based on its estimated pro-rata share of 70%. No earlier than 12 months after the 70% invoice is sent, the Authority will be billed 100% of construction costs. All deposits are to be deposited into a separate bank account and the bookkeeper will provide monthly reports of the application of each authority's payment for project costs and of related interest earnings. The West Harris Authority will own and operate the Surface Water Supply Project, with each party having an equitable share to the extent of its pro-rata share in each segment. The Authority has paid \$7,689,145 to the West Authority for its portion of the estimated Surface Water Supply Project realty costs.

North Fort Bend Water Authority
Notes to Financial Statements
December 31, 2016

Note 12 – Joint Facilities Agreement (continued)

Water Infrastructure Fund Bonds. The West Harris Authority is authorized to issue bonds financed through the Water Infrastructure Fund (WIF) of the Texas Water Development Board to fund a portion of the Surface Water Supply Project project costs. Debt service requirements for these bonds will be shared between the West Harris Authority and the Authority on a pro-rata basis. The Authority is required to make two payments to the West Harris Authority each year equal to the Authority's pro-rata share of the annual debt service on the bonds.

In 2012, the West Harris Authority issued its \$41,965,000 Series 2012 Water System Revenue Bonds related to this Agreement. The Authority's pro-rata share of these bonds is \$18,842,285, which was recorded on the *Statement of Net Position*. During the current year, the Authority paid the West Harris Authority \$1,094,152 for its pro-rata share of the annual debt service payment, which consists of a principal reduction of \$936,165 and an interest component of \$157,987. As of December 31, 2016, the outstanding balance of the liability is \$14,738,425.

As of December 31, 2016, the debt service requirements on the WIF obligation outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 936,165	\$ 157,987	\$ 1,094,152
2018	936,165	157,987	1,094,152
2019	936,165	156,677	1,092,842
2020	940,655	153,868	1,094,523
2021	945,145	149,071	1,094,216
2022-2026	4,853,690	616,019	5,469,709
2027-2031	5,190,440	276,194	5,466,634
	<u>\$ 14,738,425</u>	<u>\$ 1,667,803</u>	<u>\$ 16,406,228</u>

Operation of Joint Facilities. The responsible authority, which means the Authority for Segment 0, Segment 1A, and the Bellaire Pump Station and the West Harris Authority for the Surface Water Supply Project, will maintain, repair and operate the joint facilities for which it is responsible. Each party will pay their respective shares of operation and maintenance expenses which will be allocated based on the authorities' pro-rata share of the applicable joint facility. After the facilities go into service, each authority will pay a fraction of the monthly operation and maintenance expenses based on the amount of water received by each Authority from such facility. Each authority is required to establish a separate joint facilities account. All funds received and any expenses related to the joint facilities shall be accounted for through this account. Each month, the responsible authority will provide a bill for its respective share of the actual expenses made from the joint facilities account. Additionally, an initial deposit of one-fourth of the annual budget prepared for the joint facilities account will be billed. The authorities will establish a capital replacement account for each joint facility, the amount and timing of which will be mutually agreed upon.

North Fort Bend Water Authority
Notes to Financial Statements
December 31, 2016

Note 12 – Joint Facilities Agreement (continued)

The West Harris Authority established the required joint facilities account for costs associated with the Surface Water Supply Project and associated right of way. Additionally, the Authority paid \$8,585 to the West Harris Authority for its portion of the operating reserve and \$125,295 for its share of right of way maintenance expenses.

Note 13 – Water Trunkline Agreements

During 2013, the Authority and Fort Bend County Municipal Utility District No. 58 (“MUD 58”) and Fort Bend County Municipal Utility District No. 142 (“MUD 142”) entered into Water Trunkline Financing Agreements (the “Agreements”). In connection with the Agreements, the two districts requested that the Authority supply surface water to their water plants prior to the date originally planned by the Authority. In consideration for the early delivery of surface water, each district agreed to finance a portion of the costs to construct the required water trunkline systems. MUD 58 has paid the Authority a total of \$342,651 and MUD 142 has paid the Authority a total of \$520,137.

On March 23, 2016, the Authority, Fort Bend Improvement District No. 24 (“ID 24”) and ID 24’s developer, Sage Fulshear, West LLC., entered into a Water Trunkline Financing Agreement pursuant to which the Authority agreed to supply surface water to serve ID 24’s water plant prior to the date originally planned by the Authority. Under the terms of the agreement, the Authority agreed to construct a water line that will deliver a minimum of 200,000 gallons per day to ID 24. In consideration for the early delivery, ID 24 agreed to finance a portion of the costs to construct the water trunkline system.

Note 14 – Risk Management

The Authority is exposed to various risks related to: theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Authority’s risk management program encompasses various means of protecting the Authority against loss by obtaining property, casualty and liability coverage through commercial insurance carriers. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage from the current year or the two prior years.

Note 15 - Unused Letter of Credit

The Authority was required to issue an Irrevocable Standby Letter of Credit in the amount of \$1,000,000 for the benefit of CenterPoint Energy Houston Electric, LLC (“CenterPoint”) to satisfy a security deposit requirement associated with a right of entry agreement for construction on property owned by CenterPoint. During the current fiscal year, the Letter of Credit was amended to extend the expiration date to June 4, 2017.

Note 16 – Subsequent Event

On May 3, 2017, the Authority approved a resolution authorizing a short term borrowing program in order to address timing differences between the Authority's obligations to the City (see Note 11) and financing approved by the TWDB (see Note 6) and planned open market bond financing. This program permits the Authority to enter into one or more note purchase agreements, initially with JPMorgan Chase Bank, N.A. ("JPMorgan"), under which it can issue variable rate, short term notes in the aggregate amount not to exceed \$150,000,000. The notes are secured by a lien on future bond proceeds and other available revenues, which are specifically defined as gross revenues less operating expenses less amounts needed to pay principal and interest on existing debt and to meet annual Reserve Fund and Coverage Fund requirements. The notes will be issued in increments of \$100,000 and must be issued for less than 364 days. The interest rate on the notes is calculated as 70% of LIBOR plus an additional percentage based on the Authority's underlying credit rating. JPMorgan's initial commitment to participate in the note purchase program is for a two year term, which may be extended.

When it enters into a note purchase agreement, the Authority will be required to pay a facility fee equal to 0.35%. Once a note is issued pursuant to a note purchase agreement, the drawn amount will be charged interest and the undrawn amount will be charged the facility fee. Interest on notes will be due monthly, while principal payments are due on maturity from bond proceeds or proceeds from a replacement note. As of the date of this audit, the Authority has not entered into any note purchase agreements.

NORTH FORT BEND COUNTY WATER AUTHORITY
ENTERPRISE FUND
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE ONE AND TWELVE MONTHS ENDED DECEMBER 31, 2017
[UNAUDITED]

	CURRENT PERIOD			YEAR-TO DATE			ANNUAL BUDGET
	ACTUAL	Budget	Variance	ACTUAL	Budget	Variance	
OPERATING REVENUES							
PUMPAGE FEES	\$ 1,016,305	\$ 973,786	\$ 42,519	\$ 19,720,754	\$ 21,639,750	\$ (1,918,996)	\$ 21,639,750
SALE OF SURFACE WATER	1,405,704	1,184,220	221,484	21,312,549	19,737,000	1,575,549	19,737,000
TAKE OR PAY CONTRACT FEES	-	-	-	-	-	-	-
LESS: CONSERVATION CREDITS (TOOLBOX)	(143,695)	(187,500)	43,805	(659,296)	(750,000)	90,704	(750,000)
LESS: WATER REUSE CREDITS	(78,372)	(40,000)	(38,372)	(78,372)	(400,000)	321,628	(400,000)
LESS: ALTERNATIVE W. SUPPLY CREDITS	-	-	-	-	-	-	-
LESS: CAPITAL CONTRIB CREDITS	(11,003)	(16,690)	5,687	(200,280)	(200,280)	-	(200,280)
IMPORT FEES	32,594	-	32,594	64,957	-	64,957	-
EQUALIZATION FEES	-	-	-	-	-	-	-
INTEREST ON INVESTMENTS - OPERATIONS	52,816	3,750	49,066	236,883	45,000	191,883	45,000
PENALTY INTEREST ON LATE PMTS	4,500	435	4,065	4,500	5,000	(500)	5,000
WISE GUY PROGRAM REIMBURSEMENTS	(2,566)	2,690	(5,256)	53,495	32,500	20,995	32,500
MISC REVENUES	0	-	0	9,325	-	9,325	-
TOTAL REVENUES FROM OPERATIONS	2,276,284	1,920,691	355,593	40,464,515	40,108,970	355,545	40,108,970
OPERATING EXPENSES							
OPERATIONS & MAINTENANCE							
REPAIR & MAINT - DISTRIBUTION SYSTEM	46,848	26,850	19,998	461,780	321,100	140,680	321,100
REPAIR & MAINT - D158 PUMP STATION	-	-	-	-	-	-	-
REPAIR & MAINT - BELLAIRE PUMP STATION	19,842	16,250	3,592	251,594	195,000	56,594	195,000
ELECTRICITY	30,845	32,565	(1,720)	376,148	391,000	(14,852)	391,000
TELEPHONE & DATA LINE SERVICES	2,203	1,630	573	21,610	20,000	1,610	20,000
PERMIT FEES	(67,244)	-	(67,244)	72,824	134,400	(61,576)	134,400
LAB FEES	-	4,315	(4,315)	60,770	52,000	8,770	52,000
CHEMICALS	2,877	8,315	(5,438)	29,263	100,000	(70,737)	100,000
CATHODIC PROTECTION MAINTENANCE	7,000	10,435	(3,435)	70,000	125,000	(55,000)	125,000
LEASE PAYMENTS - D158	-	-	-	-	-	-	-
ON CALL - UNDERGROUND UTILITIES	4,344	2,500	1,844	60,837	30,000	30,837	30,000
2ND SOURCE LINE ROW MAINTENANCE	21,100	9,281	11,819	91,967	111,801	(19,834)	111,801
PURCHASED WATER - COH							
WATER - COH O&M AND RAW WATER	250,992	241,083	9,909	4,123,367	4,018,059	105,308	4,018,059
WATER - FLUSHING LINES-CONVERSION	11,949	-	11,949	11,949	-	11,949	-
PROFESSIONAL FEES							
LEGAL FEES - OPERATIONS	69,039	45,000	24,039	560,635	540,000	20,635	540,000
LEGAL FEES - SPECIAL PROJECTS	18,306	27,885	(9,579)	282,842	404,400	(121,558)	404,400
AUDITING FEES	-	-	-	64,700	66,500	(1,800)	66,500
ENGINEERING FEES - GENERAL	136,839	100,815	36,024	958,033	1,210,000	(251,967)	1,210,000
ENGINEERING FEES - WATER CONSER	33,752	16,685	17,067	167,102	200,000	(32,898)	200,000
ENGINEERING FEES - MONUMENT MAINT	-	2,500	(2,500)	-	10,000	(10,000)	10,000
ENGINEERING FEES - GIS	828	2,065	(1,237)	11,752	25,000	(13,248)	25,000
ENGINEERING FEES - 5 YEAR INSPECTIONS	-	-	-	-	-	-	-
FINANCIAL ADVISOR FEES	-	815	(815)	-	10,000	(10,000)	10,000
RATE ANALYSIS CONSULTANT FEE	-	-	-	2,126	5,000	(2,874)	5,000
CONSERVATION CONSULTANT FEE	-	-	-	-	-	-	-
CONTRACTED SERVICES							
ACCOUNTANT FEES	(6,724)	11,685	(18,409)	106,950	140,000	(33,050)	140,000
OPERATOR FEES	23,000	22,935	65	268,000	275,000	(7,000)	275,000
TRUSTEE FEES	-	-	-	24,371	22,575	1,796	22,575
ADMINISTRATIVE EXPENSES							
DIRECTOR FEES	1,050	4,200	(3,150)	39,450	50,400	(10,950)	50,400
OFFICE SUPPLIES & EXPENSES	1,380	1,000	380	11,077	12,000	(923)	12,000
POSTAGE	96	-	96	197	-	197	-
INSURANCE	350	-	350	135,831	130,000	5,831	130,000
TRAVEL AND EXPENSES	134	1,685	(1,551)	11,045	20,000	(8,955)	20,000
MEETING EXPENSES	11,103	2,815	8,288	43,059	34,000	9,059	34,000
PAYROLL TAXES	80	336	(256)	3,018	3,856	(838)	3,856
LEGAL NOTICES	-	-	-	-	-	-	-
MEMBERSHIP DUES	-	2,784	(2,784)	9,949	11,139	(1,190)	11,139
ELECTION EXPENSES	-	-	-	-	-	-	-
MISCELLANEOUS EXPENSES	-	370	(370)	-	370	(370)	370

NORTH FORT BEND COUNTY WATER AUTHORITY

ENTERPRISE FUND

STATEMENT OF REVENUES AND EXPENDITURES

FOR THE ONE AND TWELVE MONTHS ENDED DECEMBER 31, 2017

[UNAUDITED]

	CURRENT PERIOD			YEAR-TO DATE			ANNUAL BUDGET
	ACTUAL	Budget	Variance	ACTUAL	Budget	Variance	
COMMUNICATION SERVICES							
COMMUNICATION CONSULTANT	3,750	4,050	(300)	45,000	48,600	(3,600)	48,600
WEBSITE / PROS MGT & UPDATES	1,395	2,000	(605)	72,028	176,500	(104,472)	176,500
PRINTING, PUBLICATIONS& POSTAGE	759	2,500	(1,741)	11,024	30,000	(18,976)	30,000
NEWSLETTERS	-	-	-	82,000	82,000	-	82,000
COMM EVENTS / TOWN HALL MEETINGS	-	-	-	1,342	15,000	(13,658)	15,000
PUBLIC EDUCATION	16,250	3,750	12,500	61,131	75,000	(13,869)	75,000
COMM OUTREACH - ADS, SOCIAL MEDIA	1,970	1,000	970	134,415	125,500	8,915	125,500
COMM OUTREACH - OTHER	-	6,250	(6,250)	24,405	75,000	(50,595)	75,000
WATER CONSERVATION							
INCENTIVE PROGRAMS	-	-	-	22,503	12,000	10,503	12,000
WISE GUY PROGRAM INSPECTIONS	6,715	7,065	(350)	148,240	85,000	63,240	85,000
WISE GUY PROGRAM REBATES	1,125	1,250	(125)	24,795	15,000	9,795	15,000
LARRY'S TOOLBOX PROGRAMS	11,450	26,520	(15,070)	122,970	317,800	(194,830)	317,800
WATER CONSERVATION COMMITTEE	-	-	-	-	-	-	-
TOTAL EXPENDITURES FROM OPERATIONS	663,403	651,184	12,219	9,082,099	9,726,000	(643,901)	9,726,000
REVENUES (EXPENDITURES) FROM OPERATIONS BEFORE DEBT SERVICE	\$ 1,612,881	\$ 1,269,507	\$ 343,374	\$ 31,382,416	\$ 30,382,970	\$ 999,446	\$ 30,382,970
DEBT SERVICE PAYMENTS							
INTEREST EXPENSE	6,408,476	6,385,112	23,365	13,182,263	12,980,157	202,106	12,980,157
PRINCIPAL PAYMENTS	9,335,000	9,335,000	-	10,271,165	10,271,165	-	10,271,165
SERIES 2010-B BAB CREDIT	-	-	-	(368,961)	(367,180)	(1,781)	(367,180)
CAPITALIZED INTEREST	-	-	-	-	-	-	-
REVENUE NOTE FEES	17,889	-	17,889	27,222	173,500	(146,278)	173,500
OTHER DEBT SERVICE EXPENSES	-	-	-	-	5,000	(5,000)	5,000
PAID FROM IMPROV FUND (W/F PMT)	-	-	-	-	-	-	-
INTEREST ON INVESTMENTS - DSF	(114,767)	(8,315)	(106,452)	(330,816)	(100,000)	(230,816)	(100,000)
NET DEBT SERVICE PAYMENT ACTIVITY	15,646,598	15,711,797	(65,198)	22,780,873	22,962,642	(181,769)	22,962,642
CAPITAL OUTLAY & OTHER							
PURCHASED WATER- COH REHAB	132,072	47,604	84,468	1,448,563	793,428	655,135	793,428
FBSD CONSERV CR (SCHOOL KITS)	-	-	-	72,622	125,000	(52,378)	125,000
LEGAL FEES- CONSTRUCTION - GENERAL	60,753	30,000	30,753	441,844	360,000	81,844	360,000
LEGAL FEES- CONSTRUCTION - SP PROJECT	-	-	-	-	-	-	-
PURCHASED WATER- COH- TRUE UP	(337,646)	-	(337,646)	(266,430)	-	(266,430)	-
PAID FROM BOND PROCEEDS / IMPROV FUND	(192,825)	(77,604)	222,425	(1,963,029)	(1,278,428)	(418,171)	(1,278,428)
CONSTR PROJECTS TO BE PAID - IMPROV FUND	-	-	-	-	-	-	7,420,328
NET CAPITAL OUTLAY & OTHER	(337,646)	-	-	(266,430)	-	-	7,420,328
NET REVENUES (EXPENDITURES) AFTER DEBT SERVICE & CAPITAL OUTLAY	\$ (13,696,071)	\$ (14,442,290)	\$ 408,572	\$ 8,867,972	\$ 7,420,328	\$ 1,181,215	\$ -

TRUST AGREEMENT REQUIRES FEES COLLECTED BE TRANSFERRED TO MEET NEXT DEBT SERVICE PAYMENT, AFTER FUNDING OPERATIONS; BALANCE IS TRANSFERRED TO IMPROVEMENT FUND:

FUNDS COLLECTED FOR 6/15/18 DEBT	\$8,867,972
TRANSFERRED TO IMPROVEMENT FUND	\$0
	<u>\$8,867,972</u>

Shayna Johnson

From: Colette Garcia <colette@mcgrath-co.com>
Sent: Tuesday, April 10, 2018 9:05 AM
To: Pam Lightbody
Subject: RE: NFBWA Financial Statement Audit

There wasn't a management letter due to McCall's pre-audit.

From: Pam Lightbody [mailto:pelightbody@avantaserv.com]
Sent: Tuesday, April 10, 2018 9:03 AM
To: Colette Garcia <colette@mcgrath-co.com>
Subject: RE: NFBWA Financial Statement Audit
Importance: High

The TWDB SWIFT application requires us to submit several items including the Management Letter for FYE 12/31/16. I don't believe I received a copy. Could you please forward ASAP?
Thanks

Pam

From: Colette Garcia [mailto:colette@mcgrath-co.com]
Sent: Tuesday, May 16, 2017 6:37 PM
To: Justine Cherne (jcherne@abhr.com)
Cc: Pam Lightbody; Pamela Logsdon; Terrell Palmer (tpalmer@firstsw.com); Christina Miller ; David Oliver; Mark McGrath
Subject: NFBWA Financial Statement Audit

Attached is a PDF of the final audited financial statements for the Authority. Please note that we do not file the Authority's audit with TCEQ. Hard copies of the report will be mailed in a couple of weeks.

Thanks,

Colette Garcia, CPA
McGrath & Co., PLLC
2500 Tanglewilde, Suite 340
Houston, Texas 77063
713.493.2602

North Fort Bend Water Authority

Senior Lien Bonds

Series 2009					Series 2010A				Series 2010B				Series 2011			
Year Ending	Principal	Coupon	Interest	Total	Principal	Coupon	Interest	Total	Principal	Coupon	Interest	Total	Principal	Coupon	Interest	Total
12/15/2018	4,610,000	4.25%	6,007,226	10,617,226	2,185,000	3.00%	1,292,850	3,477,850	-	0.00%	1,130,481	1,130,481	2,515,000	5.25%	3,488,638	6,003,638
12/15/2019	4,805,000	4.40%	5,811,301	10,616,301	2,250,000	3.00%	1,227,300	3,477,300	-	0.00%	1,130,481	1,130,481	2,650,000	5.25%	3,356,600	6,006,600
12/15/2020	5,015,000	4.38%	5,599,881	10,614,881	2,315,000	3.00%	1,159,800	3,474,800	-	0.00%	1,130,481	1,130,481	2,790,000	5.00%	3,217,475	6,007,475
12/15/2021	5,235,000	5.00%	5,380,475	10,615,475	2,385,000	3.13%	1,090,350	3,475,350	-	0.00%	1,130,481	1,130,481	2,925,000	5.00%	3,077,975	6,002,975
12/15/2022	5,500,000	5.00%	5,118,725	10,618,725	2,460,000	3.25%	1,015,819	3,475,819	-	0.00%	1,130,481	1,130,481	3,075,000	4.50%	2,931,725	6,006,725
12/15/2023	5,775,000	5.00%	4,843,725	10,618,725	2,540,000	5.00%	935,869	3,475,869	-	0.00%	1,130,481	1,130,481	3,210,000	4.50%	2,793,350	6,003,350
12/15/2024	6,060,000	5.00%	4,554,975	10,614,975	2,665,000	3.63%	808,869	3,473,869	-	0.00%	1,130,481	1,130,481	3,355,000	4.50%	2,648,900	6,003,900
12/15/2025	6,365,000	5.25%	4,251,975	10,616,975	2,765,000	3.75%	712,263	3,477,263	-	0.00%	1,130,481	1,130,481	3,505,000	4.00%	2,497,925	6,002,925
12/15/2026	6,700,000	5.25%	3,917,813	10,617,813	2,865,000	3.75%	608,575	3,473,575	-	0.00%	1,130,481	1,130,481	3,650,000	4.13%	2,357,725	6,007,725
12/15/2027	7,050,000	5.25%	3,566,063	10,616,063	2,975,000	3.75%	501,138	3,476,138	-	0.00%	1,130,481	1,130,481	3,800,000	4.25%	2,207,163	6,007,163
12/15/2028	7,420,000	5.25%	3,195,938	10,615,938	3,085,000	4.00%	389,575	3,474,575	-	0.00%	1,130,481	1,130,481	3,960,000	4.25%	2,045,663	6,005,663
12/15/2029	7,810,000	5.25%	2,806,388	10,616,388	3,210,000	4.00%	266,175	3,476,175	-	0.00%	1,130,481	1,130,481	4,130,000	4.38%	1,877,363	6,007,363
12/15/2030	8,220,000	5.25%	2,396,363	10,616,363	3,340,000	4.13%	137,775	3,477,775	-	0.00%	1,130,481	1,130,481	4,310,000	4.50%	1,696,675	6,006,675
12/15/2031	8,650,000	5.25%	1,964,813	10,614,813					3,475,000	6.02%	1,130,481	4,605,481	4,505,000	4.50%	1,502,725	6,007,725
12/15/2032	9,105,000	5.25%	1,510,688	10,615,688					3,610,000	6.02%	921,356	4,531,356	4,705,000	5.00%	1,300,000	6,005,000
12/15/2033	9,585,000	5.25%	1,032,675	10,617,675					3,750,000	6.02%	704,106	4,454,106	4,940,000	5.00%	1,064,750	6,004,750
12/15/2034	10,085,000	5.25%	529,463	10,614,463					3,900,000	6.02%	478,431	4,378,431	5,190,000	5.00%	817,750	6,007,750
									4,050,000	6.02%	243,729	4,293,729	5,445,000	5.00%	558,250	6,003,250
													5,720,000	5.00%	286,000	6,006,000
	117,990,000		62,488,484	180,478,484	35,040,000		10,146,356	45,186,356	18,785,000		18,174,360	36,959,360	74,380,000		39,726,650	114,106,650

North Fort Bend Water Authority

Junior Lien Bonds

Series 2015					Series 2016A				Series 2016B				Series 2017			
Year Ending	Principal	Coupon	Interest	Total	Principal	Coupon	Interest	Total	Principal	Coupon	Interest	Total	Principal	Coupon	Interest	Total
12/15/2018	385,000	0.56%	136,200	521,200	340,000	0.00%	57,914	397,914	285,000	0.65%	244,417	529,417	-	0.00%	2,853,469	2,853,469
12/15/2019	390,000	0.72%	134,044	524,044	340,000	0.00%	57,914	397,914	290,000	0.76%	242,564	532,564	-	0.00%	2,542,695	2,542,695
12/15/2020	390,000	0.87%	131,236	521,236	345,000	0.00%	57,914	402,914	290,000	0.84%	240,360	530,360	-	0.00%	2,542,695	2,542,695
12/15/2021	395,000	1.01%	127,843	522,843	350,000	0.00%	57,914	407,914	295,000	0.91%	237,924	532,924	-	0.00%	2,542,695	2,542,695
12/15/2022	400,000	1.16%	123,853	523,853	355,000	0.00%	57,914	412,914	295,000	0.99%	235,240	530,240	-	0.00%	2,542,695	2,542,695
12/15/2023	405,000	1.30%	119,213	524,213	360,000	0.03%	57,914	417,914	300,000	1.09%	232,319	532,319	-	0.00%	2,542,695	2,542,695
12/15/2024	415,000	1.39%	113,948	528,948	365,000	0.20%	57,806	422,806	305,000	1.20%	229,049	534,049	-	0.00%	2,542,695	2,542,695
12/15/2025	420,000	1.47%	108,180	528,180	370,000	0.32%	57,076	427,076	310,000	1.29%	225,389	535,389	-	0.00%	2,542,695	2,542,695
12/15/2026	425,000	1.64%	102,006	527,006	375,000	0.42%	55,892	430,892	315,000	1.37%	221,390	536,390	-	0.00%	2,542,695	2,542,695
12/15/2027	435,000	1.81%	95,036	530,036	380,000	0.55%	54,317	434,317	320,000	1.57%	217,075	537,075	-	0.00%	2,542,695	2,542,695
12/15/2028	445,000	1.96%	87,162	532,162	385,000	0.64%	52,227	437,227	330,000	1.69%	212,051	542,051	3,250,000	1.92%	2,542,695	5,792,695
12/15/2029	455,000	2.10%	78,440	533,440	395,000	0.69%	49,763	444,763	335,000	2.01%	206,474	541,474	3,350,000	2.14%	2,480,295	5,830,295
12/15/2030	465,000	2.20%	68,885	533,885	405,000	0.74%	47,038	452,038	340,000	2.18%	199,740	539,740	3,450,000	2.33%	2,408,605	5,858,605
12/15/2031	475,000	2.28%	58,655	533,655	415,000	0.79%	44,041	459,041	350,000	2.29%	192,328	542,328	3,555,000	2.52%	2,328,220	5,883,220
12/15/2032	485,000	2.32%	47,825	532,825	425,000	0.84%	40,762	465,762	360,000	2.33%	184,313	544,313	3,660,000	2.63%	2,238,634	5,898,634
12/15/2033	495,000	2.37%	36,573	531,573	435,000	0.89%	37,192	472,192	370,000	2.39%	175,925	545,925	3,770,000	2.71%	2,142,376	5,912,376
12/15/2034	510,000	2.39%	24,842	534,842	445,000	0.93%	33,321	478,321	380,000	2.52%	167,082	547,082	3,880,000	2.78%	2,040,209	5,920,209
12/15/2035	525,000	2.41%	12,653	537,653	455,000	0.96%	29,182	484,182	390,000	2.50%	157,506	547,506	4,000,000	2.83%	1,932,345	5,932,345
12/15/2036					470,000	0.98%	24,814	494,814	400,000	2.54%	147,756	547,756	4,120,000	2.88%	1,819,145	5,939,145
12/15/2037					480,000	0.99%	20,208	500,208	415,000	2.71%	137,596	552,596	4,240,000	2.91%	1,700,489	5,940,489
12/15/2038					495,000	1.00%	15,456	510,456	425,000	2.71%	126,350	551,350	4,370,000	2.97%	1,577,105	5,947,105
12/15/2039					510,000	1.01%	10,506	520,506	440,000	2.71%	114,832	554,832	4,500,000	3.10%	1,447,316	5,947,316
12/15/2040					525,000	1.02%	5,355	530,355	455,000	2.71%	102,908	557,908	4,635,000	3.12%	1,307,816	5,942,816
12/15/2041									465,000	2.71%	90,578	555,578	4,775,000	3.12%	1,163,204	5,938,204
12/15/2042									480,000	3.04%	77,976	557,976	4,915,000	3.13%	1,014,224	5,929,224
12/15/2043									495,000	3.04%	63,384	558,384	5,065,000	3.21%	860,385	5,925,385
12/15/2044									515,000	3.04%	48,336	563,336	5,215,000	3.21%	697,798	5,912,798
12/15/2045									530,000	3.04%	32,680	562,680	5,375,000	3.20%	530,397	5,905,397
12/15/2046									545,000	3.04%	16,568	561,568	5,535,000	3.19%	358,397	5,893,397
12/15/2047													5,700,000	3.19%	181,830	5,881,830
	7,915,000		1,606,590	9,521,590	9,420,000		982,439	10,402,439	11,025,000		4,780,107	15,805,107	87,360,000		56,509,207	143,869,207

North Fort Bend Water Authority

Senior Lien Bonds

Series	Principal Amount	Current Holders
W Sys Rev Bds Ser 2011	74,380,000	Open Market
W Sys Rev Bds Ser 2010A	35,040,000	Open Market
W Sys Rev Bds Ser 2010B (Direct Subsidy Build America Bonds)	18,785,000	Open Market
W Sys Rev Bds Ser 2009	<u>117,990,000</u>	Open Market
	246,195,000	

Junior Lien Bonds

Series	Principal Amount	Current Holders
W Sys Jr Lien Rev Bds Ser 2017	87,360,000	TWDB
W Sys Jr Lien Rev Bds Ser 2016B	11,025,000	TWDB
W Sys Jr Lien Rev Bds Ser 2016A	9,420,000	TWDB
W System Jr Lien Rev Bds Ser 2015	<u>7,915,000</u>	TWDB
	115,720,000	

JOINT FACILITIES AGREEMENT

**SEGMENTS 0 & 1A, BELLAIRE PUMP STATION,
AND SECOND SOURCE WATERLINE/PUMP STATIONS**

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LIST OF EXHIBITS

- Exhibit A - Map of Second Source Waterline
- Exhibit B - Map of Segment 0, Segment 1A, and the Bellaire Pump Station
- Exhibit C - Incurred Bellaire Pump Station Realty Costs
- Exhibit D - Map of Meters and Water Loss Formulas
- Exhibit E - Second Source Schedule and Budget
- Exhibit F - Estimates of Incurred Second Source Waterline Realty Costs and Incurred Second Source Waterline Operation and Maintenance Expenses

**JOINT FACILITIES AGREEMENT FOR
SEGMENTS 0 & 1A, BELLAIRE PUMP STATION,
AND SECOND SOURCE WATERLINE/PUMP STATIONS**

THIS JOINT FACILITIES AGREEMENT FOR SEGMENTS 0 & 1A, BELLAIRE PUMP STATION, AND SECOND SOURCE WATERLINE/PUMP STATIONS ("Agreement") is made as of July 1, 2011, ("Effective Date") between the **WEST HARRIS COUNTY REGIONAL WATER AUTHORITY** ("West Authority"), a political subdivision of the State of Texas, a governmental agency, and a body politic and corporate, created under Article 16, Section 59, of the Texas Constitution by House Bill 1842 of the 77th Legislature, Regular Session (2001), as amended, and the **NORTH FORT BEND WATER AUTHORITY** ("Fort Bend Authority"), a political subdivision of the State of Texas, a governmental agency, and a body politic and corporate, created under Article 16, Section 59, of the Texas Constitution by Senate Bill 1798 of the 79th Legislature, Regular Session (2005), as amended. The West Authority and the Fort Bend Authority are individually referred to as a "Party" or "Authority" and collectively referred to as the "Parties" or the "Authorities."

RECITALS

The City of Houston, Texas ("Houston"), and the West Authority entered into a Water Supply Contract effective April 8, 2003, as amended by the First Supplement to Water Supply Contract effective January 30, 2009, and any future amendments (the "West Contract").

Houston and the Fort Bend Authority entered into a Water Supply Contract effective July 29, 2008, as amended by the First Supplement to Water Supply Contract effective January 30, 2009, and any future amendments (the "Fort Bend Contract"). The West Contract and the Fort Bend Contract are individually referred to as a "Contract" and collectively referred to as the "Contracts."

Pursuant to the Fort Bend Contract, the Fort Bend Authority intends to receive 27 MGD (defined below) of Water (defined below) from Houston from one or more delivery points in the Mission Bend area of Harris County for delivery to its customers. In addition, the Fort Bend Authority intends to receive an additional 59 MGD of Water from Houston at Houston's Northeast Water Plant (defined below) and cause the transportation of said 59 MGD to the Fort Bend Authority.

Pursuant to the West Contract, and in addition to other water received by the West Authority under the West Contract, the West Authority intends to receive 87 MGD of Water from Houston at Houston's Northeast Water Plant and cause the transportation of said 87 MGD to the West Authority. The West Authority intends to deliver 13.3 MGD out of said 87 MGD to the Mission Bend area of Harris County for delivery to its customers.

Subject to the terms of this Agreement, the Boards of Directors of the Authorities have found and determined that jointly designing, acquiring, constructing, financing, operating, and maintaining certain booster pump station and water transmission facilities in the Mission Bend

area to receive Water from Houston for ultimate delivery to the Authorities' respective customers is in the best interests of the Authorities and will result in significant cost savings.

Subject to the terms of this Agreement, the Boards of Directors of the Authorities have found and determined that jointly designing, acquiring, constructing, financing, operating, and maintaining one or more water mains, pump stations, re-pump stations, re-pressurization stations, and related appurtenances to receive and deliver Water from Houston's Northeast Water Plant to one or more delivery points in West Harris County for ultimate delivery to the Authorities' respective customers is in the best interests of the Authorities and will result in significant cost savings.

The West Authority may also require an interim supply of Water in addition to its Water supply under the West Contract. The Fort Bend Authority has determined that, initially, it will have available, surplus Water capacity under the Fort Bend Contract and that it is willing to lease such capacity, and certain capacity in the Upstream Portion of Segment 0 (defined below), for an interim period to the West Authority, on the terms and conditions established in this Agreement.

The Authorities are currently in discussions with Houston and the North Harris County Regional Water Authority ("NHCRWA") regarding a potential joint water main ("Potential Shared Line") involving the Authorities, Houston, and the NHCRWA that could deliver Water from Houston's Northeast Water Plant to a take-point for the Authorities in the general area of the intersection of Ella Boulevard and West Gulf Bank Road. If the Authorities, Houston, and NHCRWA (at the option and discretion of each of such entity) collectively enter into a written cost-sharing agreement regarding their joint funding and construction of the Potential Shared Line, then the Authorities intend that the routing of the Second Source Waterline that is reflected in Exhibit A would be modified (and the length of the waterline decreased) as allowed by the definition of "Second Source Waterline" below.

The Authorities have each independently found and determined and hereby declare and represent that each is authorized to enter into this Agreement; that the terms, conditions and provisions of this Agreement are mutually agreeable, fair, and advantageous; that entering into this Agreement is in its best interests; and that each desires to enter into this Agreement for the purposes stated here and to provide specific terms and conditions for the design, acquisition, construction, financing, ownership, operation, and maintenance of the improvements described in this Agreement and for the interim lease of Water capacity from the Fort Bend Authority to the West Authority.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements contained in this Agreement, the West Authority and the Fort Bend Authority agree as follows:

AGREEMENT

Article I Recitals, Definitions, and Exhibits

Section 1.1. Recitals Confirmed. The matters set out above are declared true and correct and are hereby incorporated as part of this Agreement.

Section 1.2. Definitions and Exhibits. In addition to the terms defined elsewhere in this Agreement, and unless the context requires otherwise, the following terms and phrases used in this Agreement shall have meanings as follows:

Annual Debt Service Payment is defined in Section 10.1.

Annual Letter is defined in Section 10.1.

Annual Outstanding Debt Service is defined in Section 10.1.

Applicable Bond Interest Rate means the yield of the applicable Authority bond issue(s), as computed by the applicable Authority's financial advisor in accordance with Section 148 of the Internal Revenue Code of 1986, as amended.

Bellaire Pump Station means the ground storage tanks, booster pumps, and all related appurtenances located now or in the future at the Bellaire Pump Station Site (as defined below) intended for the storage, pressurization, transportation, and delivery of 40.3 MGD of Water. The Bellaire Pump Station includes Bellaire Pump Station, Phase 1, and Bellaire Pump Station, Phase 2 (as defined below).

Bellaire Pump Station, Phase 1 means the initial facilities necessary to store, pressurize, transport, and deliver 29.3 MGD via the Bellaire Pump Station.

Bellaire Pump Station, Phase 1 Project Costs means the Realty Costs, Engineering Costs, and Construction Costs of the Bellaire Pump Station, Phase 1.

Bellaire Pump Station, Phase 2 means the additional facilities necessary to store, pressurize, transport, and deliver an additional 11 MGD for the West Authority via the Bellaire Pump Station.

Bellaire Pump Station, Phase 2 Project Costs means the Realty Costs, Engineering Costs, and Construction Costs of the Bellaire Pump Station, Phase 2.

Bellaire Pump Station Site means the approximate 13.21 acres of land owned by the Fort Bend Authority pursuant to those 2 General Warranty Deeds recorded under Harris County Clerk's File No. 20080600956 and Harris County Clerk's File No. 20110017534 in the Official Public Records of Harris County, Texas.

Capacity Adjustment Notice is defined in Section 4.1.

Certificate of Acceptance means a certificate signed by the applicable Authority accepting a Joint Facility.

Certificate of Substantial Completion means the engineer's written certificate of substantial completion in substantial compliance with approved plans, as amended by approved change orders, for a particular Joint Facility.

Committee means the Joint Facilities Committee described in Article VI below.

Cook Road Take Point means the output flanges of the tap on Houston's 48-inch water line located along Cook Road that serves as a point of delivery for the Fort Bend Authority under the Fort Bend Contract, as shown on Exhibit B.

Construction Costs means costs associated with the construction of a Joint Facility (including, but not limited to, costs of construction, acquisition, and installation, and costs of advertising), related legal and administrative costs, and all other related Authority costs and expenses, together with an amount for contingencies of estimated Construction Costs of not more than ten percent (10%) of the foregoing, provided that no contingency amount shall be included in "Construction Costs" once the Joint Facility is complete. The term "Construction Costs" does not include Realty Costs of a Joint Facility or Engineering Costs.

Construction Index means the Engineering News Record Construction Cost Index (Dallas), as issued by the Engineering News Record, or such other index as may be mutually agreed upon in writing by the Authorities.

Consultant/Contractor is defined in Section 5.15.

Contract(s) is defined in the Recitals of this Agreement.

Days means calendar days.

Distribution System means the water line transmission system constructed, or to be constructed or acquired, by an Authority to receive water from the Joint Facilities for delivery to its customers, including, but not limited to, water lines, meters, vaults, casings, air gap or other backflow prevention controls, and valves and flow control devices.

Downstream Portion of Segment 0 means that portion of Segment 0 that is located downstream of the Bellaire Pump Station facilities.

Engineering Costs means all costs associated with the design of a Joint Facility, including, but not limited to, costs of preparation and approval of plans and specifications, construction management, and inspection of the Joint Facility; costs to apply for and secure all permits and approvals required for construction of the Joint Facility; surveying and staking costs; environmental consultant costs; testing and measurement costs; and all other costs and expenses of a similar nature reasonably required for engineering services in the design and construction of a Joint Facility.

Estimated O&M Rate shall have the same meaning given in the Fort Bend Contract.

First Series of WIF Bonds means the bonds, if any, issued by the West Authority to the TWDB by December 31, 2012, pursuant to the TWDB's Water Infrastructure Fund ("WIF") program.

Fort Bend Authority Engineer means Brown & Gay Engineers, Inc., or any other engineering and/or surveying firm(s) that may be designated in writing from time to time by the Fort Bend Authority.

Fort Bend Authority Official means President of the Fort Bend Authority's Board of Directors (or different Fort Bend Authority director designated in writing by the Fort Bend Authority).

Fort Bend Contract is defined in the Recitals, above.

Fort Bend Contract Facilities means: (i) Houston's East Water Plant, and (ii) the Houston transmission facilities in which the Fort Bend Authority has heretofore acquired Water capacity pursuant to the Fort Bend Contract, which transmission facilities deliver Water from Houston's East Water Plant to the Cook Road Take Point.

Fort Bend Contract Transmission Facilities means the Houston transmission facilities in which the Fort Bend Authority has heretofore acquired Water capacity pursuant to the Fort Bend Contract, which transmission facilities deliver Water from Houston's East Water Plant to the Cook Road Take Point.

Global Second Source Waterline Consultant Cost(s) means, as reasonably determined by the West Authority, engineering (except for final design engineering), surveying, legal, environmental consultant, or other consultant costs related to or benefitting: (i) more than one Second Source Waterline Segment, (ii) overall project planning or administration for the Second Source Waterline, (iii) overall Realty Interest acquisition for the Second Source Waterline, or (iv) overall project design or construction for the Second Source Waterline. Media relations and public communications consultant costs (including website costs specific to the Second Source Waterline), whether or not covered by any of "(i)" through "(iv)" of the preceding sentence, shall be included in the definition of Global Second Source Waterline Consultant Costs.

GRP means: (i) with respect to the West Authority, the West Authority's groundwater reduction plan approved by the HGSD, as amended from time to time; and (ii) with respect to the Fort Bend Authority, the Fort Bend Authority's groundwater reduction plan approved by the Fort Bend Subsidence District, as amended from time to time.

HGSD means the Harris Galveston Subsidence District.

HGSD Extension Period means the period of time, if any, that the HGSD delays the next required increase of alternate water supply under its regulations, so long as the HGSD implements such delay prior to March 1, 2013. For example, if the HGSD: (i) prior to March 1,

2013, modifies its regulations such that the current 70% alternate water supply requirement for the year 2020 is moved to 2025 (instead of 2020), then the HGSD Extension Period shall be five (5) years; (ii) prior to March 1, 2013, modifies its regulations such that the current 70% alternate water supply requirement for 2020 is moved to 2024 (instead of 2020), then the HGSD Extension Period shall be four (4) years; (iii) prior to March 1, 2013, modifies its regulations such that the current 70% alternate water supply requirement for 2020 is moved to 2025 (instead of 2020) and is reduced from 70% to 60% (or increased from 70% to 75%), then the HGSD Extension Period shall be five (5) years; or (iv) on or after March 1, 2013, modifies its regulations such that the current 70% alternate water supply requirement for 2020 is moved to 2026 (instead of 2020), then the HGSD Extension Period shall be zero (0) years because the HGSD did not implement the delay prior to March 1, 2013.

Houston is defined in the Recitals, above.

Houston's East Water Plant means Houston's water purification plant located at 2300 Federal Road, Houston, Texas, 77015.

Houston's Northeast Water Plant means Houston's water purification plant located at 12121 North Beltway 8 East, Humble, Texas, 77396.

Incurred Bellaire Pump Station Realty Costs means all Realty Costs for the Bellaire Pump Station Site paid by the Fort Bend Authority, which costs are set forth in the attached Exhibit C.

Incurred Second Source Waterline Realty Costs means all Realty Costs for the Second Source Waterline paid by the West Authority prior to the Effective Date. Estimates of the Incurred Second Source Waterline Realty Costs and the incurred Operation and Maintenance Expenses related to Second Source Waterline Realty Interests are shown in Exhibit F, which estimates total \$9,192,000.

I10 Meter Station, as used in Exhibit D, means the Joint Facilities Meter(s) that will be installed at the general location shown as Q3 on Exhibit D, which shall measure Water that is received at such location into the Fort Bend Authority's Distribution System.

Joint Facility(ies) means one or more of Segment 0, Segment 1A, the Bellaire Pump Station, and the Second Source Waterline, plus the Realty Interests related to any of same.

Joint Facilities Account is defined in Section 5.6.

Joint Facility Meter(s) means the meter(s), meter vault(s), and other measuring equipment installed by a Responsible Authority pursuant to Section 5.4.

Lease is defined in Section 7.3.

Lease Rate means the rate per 1,000 gallons that the Fort Bend Authority will charge the West Authority for the Water, if any, leased by the West Authority pursuant to Article VII. Such rate shall be calculated by adding \$0.0193 to the then-applicable Estimated O&M Rate. For

example, if the then-applicable Estimated O&M Rate is \$0.75, the Lease Rate will be \$0.7693 per 1,000 gallons.

MGD means million gallons per day of Water.

Major Rehabilitation means a project required for a Joint Facility to function and provide service in accordance with the standard described in the first sentence of Section 5.1 and estimated by the Responsible Authority to cost in excess of \$500,000. Beginning in the year 2012, such \$500,000 figure shall be adjusted annually by the increase or decrease in the Construction Index.

Mission Bend Meter Station, as used in Exhibit D, means the Joint Facilities Meter(s) that will be installed at the general location shown as Q6 on Exhibit D, which shall measure Water that is received at such location into the West Authority's Distribution System.

Monthly Joint Facilities Account Report is defined in Section 5.6.

O&M Expenses shall have the same meaning given in the Contracts.

Operation and Maintenance Expense(s) means all costs and expenses reasonably incurred in or allocable to the operation and maintenance of a Joint Facility, including, without limitation, contractual payments for the services of a utility operator and/or an independent contractor performing maintenance or repair functions on the Joint Facilities; supervision; chemicals; the purchase and carrying of stores; power; material and supplies; permit fees and costs, including costs of renewals of the permits; legal fees; auditing; engineering fees; testing; mowing; right-of-way and pipeline maintenance; insurance; repairs and replacements of damaged or worn-out parts; all other items and expenses of a like nature which may be reasonably required for the efficient maintenance and operation of the Joint Facilities; and improvements, betterments, and modifications to keep the Joint Facilities in proper operation to render adequate services and to comply fully with all Regulatory Requirements. The term "Operation and Maintenance Expenses" shall also include payments for O&M Expenses due to Houston for the Water received from Houston into the Second Source Waterline, as further discussed in Section 8.4. The term "Operation and Maintenance Expenses" does not include Major Rehabilitations.

Participant Authority means the West Authority for Segment 0, Segment 1A, and the Bellaire Pump Station and means the Fort Bend Authority for the Second Source Waterline.

Points of Delivery means the point(s) of delivery along the Joint Facilities where the output flange(s) of the tap(s) on the Joint Facilities connect to the Participant Authority's Distribution System, as generally shown on Exhibit A and Exhibit B. The Points of Delivery may be modified (or additional Points of Delivery may be added) by a written instrument signed by the West Authority Engineer, the West Authority Official, the Fort Bend Authority Engineer, and the Fort Bend Authority Official.

Points of Measurement means the location of the Joint Facility Meters installed pursuant to Section 5.4.

Potential Shared Line is defined in the Recitals, above.

Pro Rata Share means the percentage derived by comparing the amount of capacity reserved for an Authority in any Joint Facility to the total amount of available capacity in such Joint Facility, as more fully set forth hereafter in this Agreement.

Project Costs for Downstream Portion of Segment 0 are the portion of the Segment 0 Project Costs attributable to the Downstream Portion of Segment 0, as reasonably determined pursuant to Section 2.4.

Project Costs for Upstream Portion of Segment 0 are the portion of the Segment 0 Project Costs attributable to the Upstream Portion of Segment 0, as reasonably determined pursuant to Section 2.4.

Realty Costs means all costs associated with the acquisition of all Realty Interests, including, but not limited to, costs of engineering, surveying and staking, and legal fees; condemnation costs; abstractor costs; appraisal costs; platting costs; environmental consultant costs; title insurance costs; purchase costs; court costs; filing costs; and administrative costs.

Realty Interests means easements, fee title tracts, and/or other interests in real property necessary or convenient to lay, construct, install, maintain, repair, relocate, replace, remove, upgrade, change the size of, place, inspect, protect, alter, or operate a Joint Facility. Notwithstanding the preceding sentence, all property interests acquired by the West Authority pursuant to the Purchase and Sale Agreement between ExxonMobil Corporation, a New Jersey corporation, successor-in-interest to Humble Oil & Refining Company and West Harris County Regional Water Authority, dated December 7, 2006, that certain Grant of Exclusive Easement dated December 11, 2006, recorded under County Clerk's File Number 20060260677 in the Official Public Records of Real Property of Harris County, Texas, that certain Conveyance, Assignment and Bill of Sale dated December 11, 2006, recorded under County Clerk's File Number 20060260676 in the Official Public Records of Real Property of Harris County, Texas, and that certain Deed Without Warranty dated February 16, 2011, recorded under County Clerk's File Number 20110067203 in the Official Public Records of Real Property of Harris County, Texas shall be included in the definition of "Realty Interests," including, without limitation, the pipeline(s) acquired by the West Authority pursuant to such instruments.

Regulatory Requirements means the requirements and provisions of any state or federal law, and any permits, requirements, rules, orders, or regulations issued or adopted from time to time by any regulatory authority, state, local, federal or other, having jurisdiction concerning water quality standards or otherwise having jurisdiction over the Joint Facilities, including, without limitation, the TCEQ, Houston, and Harris County.

Rehab Cost is defined in Section 5.12(b).

Remittance Date is defined in Section 10.1.

Reservation means a written request from an Authority to Houston, at the Authority's option, seeking the Utility Official's approval to increase its then-current Untreated Water Facilities Demand Allocation and/or its then-current Treated Water Facilities Demand Allocation pursuant to the provisions of the Authority's Contract.

Responsible Authority means the Fort Bend Authority for Segment 0, Segment 1A, and the Bellaire Pump Station and means the West Authority for the Second Source Waterline.

Responsible Authority Engineer means (i) the Fort Bend Authority Engineer when the Fort Bend Authority is acting as a Responsible Authority, and (ii) the West Authority Engineer when the West Authority is acting as a Responsible Authority.

Second Source Waterline means the water mains and related pump station(s), re-pump station(s), re-pressurization station(s), and other appurtenances to be located generally along and nearby the routes shown in Exhibit A to convey Water from Houston's Northeast Water Plant to the Authorities. (The term "Second Source Waterline" does not include the Bellaire Pump Station, Segment 0, or Segment 1A.) Such routes of the Second Source Waterline shown in Exhibit A may be modified by the written agreement of the West Authority Official and the Fort Bend Authority Official. In the event of such a modification of route, a new Exhibit A shall be prepared and signed by the West Authority Official and the Fort Bend Authority Official.

Second Source Waterline Fund means an interest-bearing fund held by the West Authority to pay for Second Source Waterline Project Costs.

Second Source Waterline Plans means plans and specifications for the Second Source Waterline.

Second Source Waterline Project Costs means the Realty Costs, Engineering Costs, and Construction Costs of the Second Source Water Line.

Second Source Waterline Segment(s) mean the pump station(s), re-pump station(s), and segment(s) of waterline shown in Exhibit A.

Second Source Waterline Water means Water that an Authority obtains via the Second Source Line pursuant to the terms of this Agreement.

Segment 0 means a 48-inch water main located along the alignment shown on Exhibit B.

Segment 0 Additional Capacity Purchase Date means June 30, 2019, plus the HGSD Extension Period.

Segment 1A Additional Capacity Purchase Date means June 30, 2019, plus the HGSD Extension Period.

Segment 0 Project Costs means the Realty Costs, Engineering Costs, and Construction Costs of Segment 0.

Segment 1A means a 48-inch water main located along the alignment shown on Exhibit B.

Segment 1A Project Costs means the Realty Costs, Engineering Costs, and Construction Costs of Segment 1A.

Selling Authority is defined in Section 12.5.

TCEQ means the Texas Commission on Environmental Quality or any successor or successors exercising any of its duties and functions related to water conservation and reclamation districts.

TexStar Interest Rate means the average Texas Short Term Asset Reserve Program ("TexStar") interest rate that is applicable to West Authority funds invested with TexStar, as reasonably calculated by the West Authority's bookkeeper.

Third Party means an individual, person, or entity: (i) that has its land or territory located wholly outside the boundaries of a Selling Authority; and (ii) that is not included in such Selling Authority's GRP. For purposes of Section 12.5, the determination of whether an individual, person, or entity meets both "(i)" and "(ii)" of the preceding sentence shall be made at the time a Selling Authority executes a written contract to sell Second Source Waterline Water to the individual, person, or entity.

Transmission Capacity is defined in Section 8.3.

Transmission Capacity Notice is defined in Section 8.3.

Upstream Portion of Segment 0 means that portion of Segment 0 that is located upstream of the Bellaire Pump Station facilities.

Utility Official means the Utility Official of the Department of Public Works and Engineering of Houston, or any other person who may hereafter exercise the functions of said Utility Official, as defined in the Contracts.

Water means potable treated surface water received from Houston by an Authority pursuant to a Contract.

West Authority Engineer means Dammann Engineering Corp., or any other engineering and/or surveying firm(s) that may be designated in writing from time to time by the West Authority.

West Authority Official means the President of the West Authority's Board of Directors (or different West Authority director designated in writing by the West Authority).

West Contract is defined in the Recitals, above.

Water Demand Allocation shall have the same meaning given in the Contracts.

Work is defined in Section 5.12(b).

Article II **Segments 0 & 1A**

Section 2.1. Segment 0 - General. Segment 0 has adequate capacity to convey the ultimate Water capacities required by the Fort Bend Authority and the West Authority. Notwithstanding what is reflected in the Exhibits to this Agreement, as of the Effective Date, the Authorities have not yet determined whether Second Source Waterline Segment 3 will connect to the Upstream Portion of Segment 0 or will connect directly into the Bellaire Pump Station. The location of such connection has not yet been reviewed or approved by Houston. The routing of the Second Source Waterline Segment 3 may be modified as allowed by the definition of "Second Source Waterline." Subject to the terms of this Article II, the West Authority: (i) will initially pay for 2.3 MGD of capacity in the Downstream Portion of Segment 0 and will have the right to purchase an additional 11 MGD of capacity in the Downstream Portion of Segment 0; and (ii) will have the right to purchase 13.3 MGD of capacity in the Upstream Portion of Segment 0.

Section 2.2. Segment 0 - Design and Construction. (a) **Status.** Design of Segment 0 has been completed, all Realty Interests necessary for Segment 0 have been acquired, and the construction contract for Segment 0 has been awarded by the Fort Bend Authority, all in accordance with the applicable competitive bidding laws and in full compliance with the rules and regulations of the TCEQ and any other agencies having jurisdiction. Segment 0 is being constructed, and all equipment, materials, supplies, and Realty Interest are being acquired, in the name of the Fort Bend Authority.

(b) **Completion.** Construction of Segment 0 is nearing completion. The Fort Bend Authority shall cause the Segment 0 construction to be completed and, subject to receipt of the Fort Bend Authority Engineer's Certificate of Substantial Completion and recommendation of final acceptance, the Fort Bend Authority shall accept Segment 0 for ownership and operation by executing a Certificate of Acceptance. The Fort Bend Authority shall provide the West Authority with the Fort Bend Authority Engineer's Certificate of Substantial Completion, recommendation of final acceptance, construction record drawings of Segment 0, and the Certificate of Acceptance. The Fort Bend Authority shall use its best efforts to cause the construction of Segment 0 to be completed by July 31, 2011; however, the Authorities recognize that some factors affecting construction timing are outside the direct control of the Fort Bend Authority.

Section 2.3. Segment 0 - West Authority Access. To the extent Segment 0 is not completed prior to the Effective Date, the Fort Bend Authority shall allow the West Authority's representatives to have access at all times to construction in progress of Segment 0 and to make such inspections of Segment 0 as the West Authority may deem necessary or desirable. The West Authority shall also have full access to all of the Fort Bend Authority's contracts, pay estimates, change orders, engineering recommendation of final acceptance, books, records, and all other documentation relating to the construction of Segment 0.

Section 2.4. Segment 0 - Project Costs. The Fort Bend Authority has paid and shall pay all Segment 0 Project Costs through completion and final acceptance of the project. Within 60 days after completion and final acceptance of Segment 0, the Fort Bend Authority shall cause its bookkeeper to provide all relevant financial information to an independent accounting firm for preparation of a final report confirming the total, actual Segment 0 Project Costs (the "Segment 0 Final Accounting"), which accounting shall include the cost of such final report. The Segment 0 Final Accounting shall be provided to the Authorities within 135 days after completion and final acceptance of Segment 0.

Within 45 days after the expiration of said 135 days, the Fort Bend Authority Engineer shall reasonably determine the portion of the Segment 0 Project Costs, as set forth in the Segment 0 Final Accounting, that are attributable to the Downstream Portion of Segment 0 and the portion of the Segment 0 Project Costs that are attributable to the Upstream Portion of Segment 0. The Fort Bend Authority Engineer shall provide such determination to the Authorities within such 45 day period. The West Authority shall have 30 days thereafter to provide any written comments regarding the Fort Bend Authority Engineer's determination. Within 30 days thereafter, the Fort Bend Authority shall reasonably determine what, if any, adjustments to make to the Fort Bend Authority Engineer's determination, shall make any such adjustments, and shall provide the final determination to the West Authority.

Section 2.5. Downstream Portion of Segment 0 - Funding.

(a) **Allocation.** The Authorities agree that their initial respective Pro Rata Shares of the Downstream Portion of Segment 0 are as follows:

<u>Entity</u>	<u>Gallons</u>	<u>Pro Rata Share</u>
Fort Bend Authority	27.0 MGD	92%
West Authority	2.3 MGD	8%

Each Authority is responsible for payment of its Pro Rata Share of the Project Costs for Downstream Portion of Segment 0, calculated by multiplying such costs by the Authority's Pro Rata Share shown immediately above.

(b) **Invoicing.** Once the Project Costs for Downstream Portion of Segment 0 have been determined pursuant to Section 2.4, the Fort Bend Authority shall calculate the Authorities' respective Pro Rata Shares of the Project Costs for Downstream Portion of Segment 0, as described in subsection (a) immediately above, and shall invoice the West Authority for its Pro Rata Share of such costs, with interest calculated at the Applicable Bond Interest Rate incurred by the Fort Bend Authority. Such invoice shall be due and payable by the West Authority within 40 days of its receipt.

(c) **Delinquency or Failure to Pay.** If the West Authority fails to timely pay the invoice for its Pro Rata Share of the Project Costs for Downstream Portion of Segment 0, interest shall accrue for the benefit of the Fort Bend Authority on the delinquent payment, as described in Section 11.1(c) of this Agreement. Moreover, until the West Authority has paid the invoice

described in subsection (b) immediately above, plus the aforementioned interest, the West Authority shall not be entitled to capacity in Segment 0.

Section 2.6. Segment 0 - Ownership. Upon completion and final acceptance of Segment 0, the Fort Bend Authority shall own and operate Segment 0 in accordance with the terms and conditions of this Agreement. The Fort Bend Authority shall hold legal title to Segment 0 and all Realty Interests related to Segment 0, subject to, so long as the West Authority has paid its Pro Rata Share of the Segment 0 Project Costs as described in Section 2.5 (and, if applicable, Sections 2.7 and 2.8.), the equitable interest of the West Authority to the extent of its Pro Rata Share, shown in Section 2.5 (and, if applicable, Sections 2.7 and 2.8).

Section 2.7. Downstream Portion Segment 0 - West Authority Purchase of Additional Capacity. Pursuant to the terms of this Section, the West Authority shall have the option (but not the obligation) to increase its Pro Rata Share in some or all of the Downstream Portion of Segment 0 by an additional 11 MGD (for a total of 13.3 MGD). If the West Authority desires to exercise the option, it shall so notify the Fort Bend Authority in writing prior to the Fort Bend Authority's termination of the option, as allowed below in this Section. Upon receipt of such notice from the West Authority, the Fort Bend Authority shall calculate the West Authority's payment for the increase of its Pro Rata Share of Project Costs for Downstream Portion of Segment 0 by: (i) multiplying the Project Costs for Downstream Portion of Segment 0 attributable to the section of the Downstream Portion of Segment 0 in which the West Authority obtains additional capacity pursuant to this Section by 25%; and (ii) adding to the product of the foregoing "(i)" interest calculated at the Applicable Bond Interest Rate incurred by the Fort Bend Authority. The Fort Bend Authority shall invoice the West Authority for such payment and such invoice shall be due and payable within 40 days of receipt by the West Authority. After such payment is made to the Fort Bend Authority: (i) the West Authority's Pro Rata Share of such section of the Downstream Portion of Segment 0 shall be 13.3 MGD (33%); (ii) the Fort Bend Authority's Pro Rata Share of such section of the Downstream Portion of Segment 0 shall be 27.0 MGD (67%); and (iii) the West Authority shall have the right, at its cost, to construct and install a waterline connection and related appurtenances that connect to such section of the Downstream Portion of Segment 0 to enable the West Authority to obtain its additional 11 MGD of capacity acquired pursuant to this Section, subject to the Fort Bend Authority Engineer's approval of West Authority plans and specifications for same, which approval shall not be unreasonably withheld or delayed.

If, by the Segment 0 Additional Capacity Purchase Date, the West Authority has not exercised such option by making payment to the Fort Bend Authority pursuant to this Section, then the Fort Bend Authority may terminate the option by providing the West Authority with 120 days advance written notice of the Fort Bend Authority's intent to terminate and the calculation of the payment due if the West Authority were to exercise the option. If the West Authority fails to make the payment to the Fort Bend Authority during such 120 day period, then the option shall automatically terminate and the West Authority's Pro Rata Share of the Downstream Portion Segment 0 shall remain at 2.3 MGD (8%), but the West Authority shall not be considered in default under this Agreement.

Section 2.8. Upstream Portion Segment 0 - West Authority Purchase of Additional Capacity. The West Authority's Pro Rata Share in the Upstream Portion of Segment 0 shall

initially be zero (0). If the Second Source Waterline Segment 3 does not connect to the Upstream Portion of Segment 0, then the West Authority's Pro Rata Share of the Upstream Portion of Segment 0 shall remain at zero (0) and the West Authority shall not be obligated to pay for capacity in the Upstream Portion of Segment 0.

If the Second Source Waterline Segment 3 connects to the Upstream Portion of Segment 0, then, pursuant to the terms of this Section, the West Authority shall be obligated to pay for 13.3 MGD of capacity in the section of the Upstream Portion of Segment 0 that is located downstream of such connection. Within 45 days after the Fort Bend Authority receives the Second Source Final Accounting pursuant to Section 4.12(b), the Fort Bend Authority shall calculate the West Authority's payment for its Pro Rata Share of Project Costs for Upstream Portion of Segment 0 by: (i) multiplying the Project Costs for Upstream Portion of Segment 0 attributable to the section of the Upstream Portion of Segment 0 in which the West Authority obtains capacity pursuant to this Section by 33%, and (ii) adding to the product of the foregoing "(i)" interest calculated at the Applicable Bond Interest Rate incurred by the Fort Bend Authority. The Fort Bend Authority shall invoice the West Authority for such payment and such invoice shall be due and payable within 40 days of receipt by the West Authority. After such payment is made to the Fort Bend Authority: (i) the West Authority's Pro Rata Share of such section of the Upstream Portion of Segment 0 shall be 13.3 MGD (33%); and (ii) the Fort Bend Authority's Pro Rata Share of such section of the Upstream Portion of Segment 0 shall be 27.0 MGD (67%).

If the West Authority fails to timely pay the invoice described in the preceding paragraph, interest shall accrue for the benefit of the Fort Bend Authority on the delinquent payment, as described in Section 11.1(c) of this Agreement. Moreover, until the West Authority has paid the invoice described in the preceding paragraph, plus the aforementioned interest, the West Authority shall not be entitled to the 13.3 MGD of capacity in the Upstream Portion of Segment 0 described in this Section.

Section 2.9. Segment 1A - General. Segment 1A is designed to convey the ultimate Water capacities required by the Fort Bend Authority and the West Authority from the Bellaire Pump Station to the Points of Delivery on Segment 1A.

Section 2.10. Segment 1A - Design and Construction. (a) Design of Segment 1A has been completed, all Realty Interests necessary for Segment 1A have been acquired, and the construction contract for Segment 1A has been awarded by the Fort Bend Authority, all in accordance with the applicable competitive bidding laws and in full compliance with the rules and regulations of the TCEQ and any other agencies having jurisdiction. Segment 1A is being constructed, and all equipment, materials, supplies, and Realty Interest are being acquired, in the name of the Fort Bend Authority.

(b) **Completion.** Construction of Segment 1A is nearing completion. The Fort Bend Authority shall cause the Segment 1A construction to be completed and, subject to receipt of the Fort Bend Authority Engineer's Certificate of Substantial Completion and recommendation of final acceptance, the Fort Bend Authority shall accept Segment 1A for ownership and operation by executing a Certificate of Acceptance. The Fort Bend Authority shall provide the West Authority with the Fort Bend Authority Engineer's Certificate of Substantial Completion,

recommendation of final acceptance, construction record drawings of Segment 1A, and the Certificate of Acceptance. The Fort Bend Authority shall use its best efforts to cause the construction of Segment 1A to be completed by July 31, 2011; however, the Authorities recognize that some factors affecting construction timing are outside the direct control of the Fort Bend Authority.

Section 2.11. Segment 1A - West Authority Access. To the extent Segment 1A is not completed prior to the Effective Date, the Fort Bend Authority shall allow the West Authority's representatives to have access at all times to construction in progress of Segment 1A and to make such inspections of Segment 1A as the West Authority may deem necessary or desirable. The West Authority shall also have full access to all of the Fort Bend Authority's contracts, pay estimates, change orders, engineer's recommendation of final acceptance, books, records, and all other documentation relating to the construction of Segment 1A.

Section 2.12. Segment 1A - Project Costs. The Fort Bend Authority has paid and shall pay all Segment 1A Project Costs through completion and final acceptance of the project. Within 60 days after completion and final acceptance of Segment 1A, the Fort Bend Authority shall cause its bookkeeper to provide all relevant expenditure information to an independent accounting firm for preparation of a final report confirming the total, actual Segment 1A Project Costs (the "Segment 1A Final Accounting"), which accounting shall include the cost of such final report. The Segment 1A Final Accounting shall be provided to the Authorities within 135 days after completion and final acceptance of Segment 1A.

Section 2.13. Segment 1A - Funding.

(a) **Allocation.** The allocation of capacity between the Authorities in Segment 1A changes after each Point of Delivery in Segment 1A. The Water capacity allocations and Pro Rata Shares within each portion of Segment 1A are shown in the attached Exhibit B. Each Authority is responsible for payment of its Pro Rata Share of the Segment 1A Project Costs calculated by multiplying such costs, as shown in the Segment 1A Final Accounting, by the Authority's Pro Rata Share shown in said Exhibit B.

(b) **Invoicing.** Upon receipt of the Segment 1A Final Accounting, the Fort Bend Authority shall calculate the Authorities' respective Pro Rata Shares of the Segment 1A Project Costs, as shown in Exhibit B, and shall invoice the West Authority for its Pro Rata Share of such costs, with interest calculated at the Applicable Bond Interest Rate incurred by the Fort Bend Authority. Such invoice shall be due and payable by the West Authority within 40 days of its receipt.

(c) **Delinquency or Failure to Pay.** If the West Authority fails to timely pay the invoice for its Pro Rata Share of the Segment 1A Engineering Costs, Construction Costs and Realty Costs, interest shall accrue for the benefit of the Fort Bend Authority on the delinquent payment, as described in Section 11.1(c) of this Agreement. Moreover, until the West Authority has paid the invoice described in subsection (b) immediately above, plus the aforementioned interest, the West Authority shall not be entitled to capacity in Segment 1A.

Section 2.14. Segment 1A - Ownership. Upon completion and final acceptance of Segment 1A, the Fort Bend Authority shall own and operate Segment 1A in accordance with the

terms of this Agreement. The Fort Bend Authority shall hold legal title to Segment 1A and all Realty Interests related to Segment 1A, subject to, so long as the West Authority has paid its Pro Rata Share of the Segment 1A Project Costs as described in Section 2.13 (and, if applicable, Section 2.15), the equitable interests of the West Authority to the extent of its Pro Rata Shares, shown in Exhibit B (and, if applicable, Section 2.15).

Section 2.15. Segment 1A – West Authority Purchase of Additional Capacity. The West Authority shall have the option (but not the obligation) to increase its Pro Rata Share in some or all of the portion of Segment 1A shown as “Segment 1A-1” on Exhibit B by an additional 11 MGD (for a total of 13.3 MGD) pursuant to the terms of this Section. If the West Authority desires to exercise the option, it shall so notify the Fort Bend Authority in writing prior to the Fort Bend Authority’s termination of this option, as allowed below in this Section. Upon receipt of such notice from the West Authority, the Fort Bend Authority shall calculate the West Authority’s payment for the increase of its Pro Rata Share of the Segment 1A Project Costs by: (i) multiplying the Segment 1A Project Costs, as shown in the Segment 1A Final Accounting, attributable to the portion of Segment 1A in which the West Authority obtains additional capacity pursuant to this Section by 25% ; and (ii) adding to the product of the foregoing “(i)” interest calculated at the Applicable Bond Interest Rate incurred by the Fort Bend Authority. The Fort Bend Authority shall invoice the West Authority for such payment and such invoice shall be due and payable within 40 days of receipt by the West Authority. After such payment is made to the Fort Bend Authority: (i) the West Authority’s Pro Rata Share of such portion of Segment 1A shall be 13.3 MGD (33%); (ii) the Fort Bend Authority’s Pro Rata Share of such portion of Segment 1A shall be 27.0 MGD (67%); and (iii) the West Authority shall have the right, at its cost, to construct and install a waterline connection and related appurtenances that connect to Segment 1A to enable the West Authority to obtain its additional 11 MGD of capacity acquired pursuant to this Section, subject to the Fort Bend Authority Engineer’s approval of West Authority plans and specifications for same, which approval shall not be unreasonably withheld or delayed.

If, by the Segment 1A Additional Capacity Purchase Date, the West Authority has not exercised such option by making payment to the Fort Bend Authority pursuant to this Section, then the Fort Bend Authority may terminate the option by providing the West Authority with 120 days advance written notice of the Fort Bend Authority’s intent to terminate and the calculation of the payment due if the West Authority were to exercise the option. If the West Authority fails to make the payment to the Fort Bend Authority during such 120 day period, then the option shall automatically terminate and the West Authority’s Pro Rata Share of Segment 1A shall remain as shown in Exhibit B, but the West Authority shall not be considered in default under this Agreement.

Article III Bellaire Pump Station

Section 3.1. General – Phase 1. The Bellaire Pump Station is planned to have an ultimate capacity of 40.3 MGD to serve the ultimate Water conveyance requirements of the Authorities from that facility. The Authorities have determined to design and construct the Bellaire Pump Station in two phases. The Bellaire Pump Station, Phase 1 shall be designed to provide 29.3 MGD of capacity, with 2.3 MGD of capacity allocated to the West Authority and

27.0 MGD of capacity allocated to the Fort Bend Authority. The Bellaire Pump Station, Phase 1, except for the storage tanks and related piping, will be sized to accommodate the Bellaire Pump Station's expansion by 11.0 MGD via the Bellaire Pump Station, Phase 2. Engineering Costs and Construction Costs: (i) for the Bellaire Pump Station, Phase 1, except for the storage tanks and related piping, will be paid 67% by the Fort Bend Authority and 33% by the West Authority; (ii) for the storage tanks and related piping of the Bellaire Pump Station, Phase 1, will be paid 92% by the Fort Bend Authority and 8% by the West Authority; and (iii) for the supervisory control and data acquisition ("SCADA") system installed as part of the Bellaire Pump Station, Phase 1, will be paid at least 67% by the Fort Bend Authority and no more than 33% by the West Authority. After completion of the SCADA system, which is currently under development, exact percentages for the SCADA system will be determined by written instrument signed by the Fort Bend Authority Engineer and West Authority Engineer based on the pro-rata benefit to each Authority. The Fort Bend Authority's design of the Bellaire Pump Station, Phase 1, is near completion. The Authorities plan to initiate work on the Bellaire Pump Station, Phase 2, in the future, as described in Section 3.10 below.

Section 3.2. Site Acquisition. (a) The Fort Bend Authority has acquired fee title to the Bellaire Pump Station Site, and has paid (or will pay) all Bellaire Pump Station Realty Costs related thereto, in order to have adequate land to accommodate the Bellaire Pump Station, Phase 1 and Phase 2.

(b) Within 40 days after receipt of an invoice from the Fort Bend Authority, the West Authority shall reimburse the Fort Bend Authority for a portion of the Incurred Bellaire Pump Station Realty Costs, as more fully set forth on Exhibit C, based upon the West Authority's Pro Rata Share of the Bellaire Pump Station, Phase 1, as set forth in Section 3.4(b), with interest calculated at the Applicable Bond Interest Rate incurred by the Fort Bend Authority.

(c) Subject to the West Authority's reimbursement payment to the Fort Bend Authority, as described in subsection (b) immediately above, the Fort Bend Authority shall hold legal title to the Bellaire Pump Station Site for the benefit of the West Authority and itself based upon the Pro Rata Shares of each entity in the Bellaire Pump Station, Phase 1, shown in Section 3.4(b), and the West Authority shall have an equitable interest in the Bellaire Pump Station Site to the extent of its Pro Rata Share, shown in Section 3.4(b).

Section 3.3. Phase 1 - Status. The design of the Bellaire Pump Station, Phase 1, is near completion. The Fort Bend Authority has or will advertise the construction contract for the Bellaire Pump Station, Phase 1, in accordance with the applicable competitive bidding laws and in full compliance with the rules and regulations of the TCEQ and any other agencies having jurisdiction. The Bellaire Pump Station, Phase 1 shall be constructed, and all equipment, materials, supplies, and Realty Interest acquired, in the name of the Fort Bend Authority.

Section 3.4. Phase 1 - Funding. (a) **Cost Estimate.** The Fort Bend Authority shall cause the Fort Bend Authority Engineer to prepare a cost estimate for the total, estimated Bellaire Pump Station, Phase 1 Engineering Costs and Construction Costs (the "Phase 1 Cost Estimate"). The Phase 1 Cost Estimate shall include Bellaire Pump Station, Phase 1 Engineering Costs and Construction Costs paid to date by the Fort Bend Authority as well as estimated Bellaire Pump Station, Phase 1 Engineering Costs and Construction Costs to be incurred to

construct and complete the Bellaire Pump Station, Phase 1. The Bellaire Pump Station Realty Costs will not be included in the Phase 1 Cost Estimate, as the West Authority is paying its share of the Bellaire Pump Station Realty Costs pursuant to Section 3.2.

(b) **Invoicing.** Each Authority's Pro Rata Shares in the Bellaire Pump Station, Phase 1, is as follows:

<u>Entity</u>	<u>Gallons</u>	<u>Pro Rata Share</u>
Fort Bend Authority	27.0 MGD	92%
West Authority	2.3 MGD	8%
TOTAL	29.3 MGD	100%

Upon receipt of the Phase 1 Cost Estimate, the Fort Bend Authority shall invoice the West Authority for its share of the Phase 1 Cost Estimate, based upon the cost-sharing percentages set forth in Section 3.1. Such invoice shall be due and payable within 40 days of receipt by the West Authority. The Fort Bend Authority shall deposit the West Authority's payment into a Fort Bend Authority interest-bearing fund and shall separately account for such deposit, except that the Fort Bend Authority shall utilize a portion of the West Authority's payment (according to the cost-sharing percentages set forth in Section 3.1) to reimburse itself for the West Authority's share of any Bellaire Pump Station, Phase 1 Engineering Costs and Construction Costs paid to date by the Fort Bend Authority. At the same time that the Fort Bend Authority sends such invoice to the West Authority, the Fort Bend Authority shall invoice itself for its share of the Phase 1 Cost Estimate, based upon the cost-sharing percentages set forth in Section 3.1 (less amounts already paid by the Fort Bend Authority for Bellaire Pump Station, Phase 1 Engineering Costs and Construction Costs), and such invoice shall be due and payable within 40 days of receipt by the Fort Bend Authority. The Fort Bend Authority shall deposit its payment into the interest-bearing fund described in this paragraph, which payment shall be separately accounted for by the Fort Bend Authority. The West Authority's payment shall only be applied to its share of the Bellaire Pump Station, Phase 1 Engineering Costs and Construction Costs based upon the cost-sharing percentages set forth in Section 3.1. The Fort Bend Authority's payment shall only be applied to its share of the Bellaire Pump Station, Phase 1 Engineering Costs and Construction Costs based upon the cost-sharing percentages set forth in Section 3.1. In the event the Fort Bend Authority determines that there is insufficient money in such fund to pay for the Bellaire Pump Station, Phase 1 Engineering Costs and Construction Costs, the Fort Bend Authority shall from time to time cause a new Phase 1 Cost Estimate to be prepared and shall invoice both Authorities for the amount of additional funds reasonably needed to complete the project, which invoices shall be due 40 days after receipt.

The Fort Bend Authority shall cause its bookkeeper to provide monthly written reports of the application of each Authority's payment to the Bellaire Pump Station, Phase 1 Project Costs and of interest earnings on such deposit.

(c) **Delinquency or Failure to Pay.** If the West Authority fails to timely pay the invoice for its share of the Phase 1 Cost Estimate, as set forth in subsection (b) immediately above, interest shall accrue for the benefit of the Fort Bend Authority on the delinquent

payment, as described in Section 11.1(c) of this Agreement. Moreover, until the West Authority has paid the invoice described in subsection (b) immediately above, plus the aforementioned interest, the West Authority shall not be entitled to capacity in the Bellaire Pump Station, Phase 1.

Section 3.5. Phase 1 - Bids. The Fort Bend Authority shall cause the Bellaire Pump Station, Phase 1 construction to be advertised for bids no later than December 31, 2011. Upon the receipt of bids, the Fort Bend Authority Engineer shall provide a bid tabulation and recommendation of award to the Authorities. The West Authority shall have 30 days from receipt to provide comments to the Fort Bend Authority on the bid tabulation and recommendation of award. After such 30-day period, the Fort Bend Authority may award a construction contract for the project, subject to the Fort Bend Authority's right to reject any or all bids for the construction of same.

Section 3.6. Phase 1 - Construction. The Bellaire Pump Station, Phase 1 shall be constructed, and equipment, materials, and supplies required in connection with the Bellaire Pump Station, Phase 1 shall be acquired, in the name of the Fort Bend Authority. The Fort Bend Authority shall install the Bellaire Pump Station, Phase 1, award construction contracts for same, and obtain payment and performance bonds for same all in accordance with the applicable competitive bidding laws and in full compliance with the rules and regulations of the TCEQ and any other agencies having jurisdiction. The Fort Bend Authority Engineer shall provide the West Authority Engineer for its review and comment copies of all pay estimates and change orders for the Bellaire Pump Station, Phase 1.

If the West Authority objects to a proposed change order in the amount of \$150,000 or more, it shall instruct the West Authority Engineer to submit to the Fort Bend Authority Engineer within 30 days of receipt of such proposed change order, the objections and the reasons for the objections. If the Fort Bend Authority Engineer does not receive written objections from the West Authority Engineer within 30 days of the West Authority Engineer's receipt of such a proposed change order, approval shall be deemed to have been made. If the West Authority objects to such a proposed change order, and the Fort Bend Authority Engineer and the West Authority Engineer (within 10 days of the Fort Bend Authority Engineer's receipt of the written objections) fail to agree in writing on the resolution of the objections, the review and comment period for the West Authority shall be extended an additional 30 days (running from the expiration of the first 30 days). During such second 30-day period, each Authority agrees to reasonably consider the position of the other Authority. If no agreement can be reached by the Authorities within the second 30-day period, the Fort Bend Authority shall have the right to make a final decision regarding such change order. Notwithstanding the other provisions of this paragraph, the Fort Bend Authority may declare such 30-day period(s) unnecessary and may proceed with a change order immediately if: (A) the Fort Bend Authority determines that either (i) the change order is necessary to protect public health and safety or to prevent unreasonable economic loss, or (ii) the condition or situation necessitating the change order requires immediate action; and (B) the Fort Bend Authority Engineer issues to the Fort Bend Authority a written opinion in support of said "(i)" or "(ii)".

Upon completion of the Bellaire Pump Station, Phase 1, and the Fort Bend Authority's receipt of the Fort Bend Authority Engineer's Certificate of Substantial Completion and

recommendation of final acceptance for the Bellaire Pump Station, Phase 1, the Fort Bend Authority shall accept the Bellaire Pump Station, Phase 1 for ownership and operation by executing a Certificate of Acceptance. The Fort Bend Authority shall provide the West Authority with the Fort Bend Authority Engineer's Certificate of Substantial Completion and recommendation of final acceptance, construction record drawings of such phase, and the Certificate of Acceptance.

Section 3.7. Phase 1 - Engineering Services. The Fort Bend Authority Engineer shall provide construction phase services and inspection for the Bellaire Pump Station, Phase 1, including advertising for bids, receiving and analyzing bids, recommending construction contract award, reviewing and approving all pay estimates, reviewing and submitting all change orders, reviewing and approving shop drawings, and recommending acceptance of the project to the Fort Bend Authority.

Section 3.8. Phase 1 - Funding. (a) **Application of Funds.** The Fort Bend Authority shall apply the funds received from both the West Authority and itself pursuant to Section 3.4 to the Bellaire Pump Station, Phase 1 Engineering Costs and Construction Costs according to the cost-sharing percentages set forth in Section 3.1.

(b) **Final Accounting.** Within 60 days after completion and final acceptance of the Bellaire Pump Station, Phase 1, the Fort Bend Authority shall cause its bookkeeper to provide all relevant financial information to an independent accounting firm for preparation of a final report confirming the total, actual Bellaire Pump Station, Phase 1 Project Costs (the "Phase 1 Final Accounting"), which accounting shall include the cost of such final report. The Phase 1 Final Accounting shall state: (i) the difference between the estimated and the final, actual Bellaire Pump Station, Phase 1 Project Costs and (ii) the amount of any underpayment or overpayment made by each Authority, taking into account any interest earnings in the interest bearing fund described in Section 3.4 that are attributable to an Authority's deposit. The Phase 1 Final Accounting shall be provided to the Authorities within 135 days after completion and final acceptance of the Bellaire Pump Station, Phase 1.

If the final actual Bellaire Pump Station, Phase 1 Project Costs, as determined by the Phase 1 Final Accounting, are more than the estimated Bellaire Pump Station, Phase 1 Project Costs, resulting in an underpayment by the West Authority (taking into account any interest earnings on the West Authority's funds), the West Authority shall pay to the Fort Bend Authority the amount of the underpayment within 40 days of the date the Phase 1 Final Accounting is received by the West Authority. If the final actual costs are less than the estimated Bellaire Pump Station, Phase 1 Project Costs, resulting in an overpayment by the West Authority (taking into account any interest earnings on the West Authority's funds), the Fort Bend Authority shall pay the West Authority the amount of the overpayment within 40 days of the Fort Bend Authority's receipt of the Phase 1 Final Accounting. The Phase 1 Final Accounting shall also be used to determine if the Fort Bend Authority overpaid or underpaid on the project and it shall adjust its books accordingly.

Section 3.9. Ownership. Upon completion and final acceptance of the Bellaire Pump Station, Phase 1, the Fort Bend Authority shall own and operate the Bellaire Pump Station, Phase 1 in accordance with the terms and conditions of this Agreement. The Fort Bend

Authority shall hold legal title to the Bellaire Pump Station, Phase 1, subject to, so long as the West Authority has paid its share according to the cost-sharing percentages set forth in Section 3.1, the equitable interest of the West Authority, to the extent of its Pro Rata Share, shown in Section 3.4.

Section 3.10. General - Phase 2. The Bellaire Pump Station, Phase 2 is planned to add 11 MGD of capacity to the Bellaire Pump Station, Phase 1, to provide the ultimate Bellaire Pump Station capacity of 40.3 MGD. The Fort Bend Authority shall design and construct the Bellaire Pump Station, Phase 2 in its name, provided that the West Authority pays all Bellaire Pump Station, Phase 2 Project Costs. Work on the Bellaire Pump Station, Phase 2, shall begin upon written notice from the West Authority to the Fort Bend Authority that the West Authority desires additional capacity in the Bellaire Pump Station. Upon receipt of such notice, the Fort Bend Authority shall cause the Phase 2 Engineering Cost Estimate described in Section 3.12 to be prepared and, subject to the West Authority timely making the payments to the Fort Bend Authority described in Sections 3.11, 3.13, and 3.16, the Fort Bend Authority shall exert its best faith efforts to complete the project within 30 months thereafter.

Since the purpose of the Bellaire Pump Station, Phase 2 project is to provide an additional 11 MGD of capacity to the West Authority and the West Authority is required hereunder to pay the costs of the Bellaire Pump Station, Phase 2, the Fort Bend Authority will not enter into change orders or otherwise include work in the construction contract for such project that is unrelated to providing the West Authority an additional 11 MGD of capacity. Notwithstanding any provision hereof, and subject to the provisions of Article V, the Fort Bend Authority may, at the time of bidding such construction contract, include in the contract any improvements, repairs, or Major Rehabilitation work ("Additional Work") allowed under Article V. In such event, the costs of the Additional Work shall be shared between the Authorities according to the applicable cost-sharing methodology set forth in Article V (or as otherwise agreed in writing by the Authorities); provided, however, for purposes of calculating each Authority's Pro Rata Share of the Bellaire Pump Station for a Major Rehabilitation, the Pro Rata Shares set forth in Section 3.20 (and not Section 3.4) shall apply.

Section 3.11. Site - Phase 2. (a) **Size.** The Bellaire Pump Station Site is adequate to accommodate the construction and operation of the Bellaire Pump Station, Phase 2.

(b) **Realty Cost Reallocation.** Pursuant to this Agreement, the Authorities will have shared the Bellaire Pump Station Realty Costs based upon their respective Pro Rata Shares in the Bellaire Pump Station, Phase 1, as described in Section 3.2. The Fort Bend Authority shall calculate the West Authority's additional payment for the Bellaire Pump Station Realty Costs by: (i) multiplying the Bellaire Pump Station Realty Costs by 25%; and (ii) adding to the product of the foregoing "(i)" interest calculated at the Applicable Bond Interest Rate incurred by the Fort Bend Authority. After construction of the Bellaire Pump Station Phase 2 has commenced, the Fort Bend Authority shall invoice the West Authority for such payment and such invoice shall be due and payable within 40 days of receipt by the West Authority.

(c) **Legal Title.** Subject to the West Authority's advance of funds as required in subsection (b) immediately above, the Fort Bend Authority shall hold legal title to the Bellaire Pump Station Site for the benefit of the West Authority and itself based upon the Pro Rata Shares of each Authority in the Bellaire Pump Station as expanded to its ultimate 40.3 MGD

capacity, and the West Authority shall have an equitable interest in such site to the extent of its Pro Rata Share, as shown in Section 3.20.

Section 3.12. Engineering Cost Estimate – Phase 2. (a) **Preparation.** The Fort Bend Authority shall cause the Fort Bend Authority Engineer to prepare a cost estimate for the engineering work associated with the Bellaire Pump Station, Phase 2, which shall include total, estimated Engineering Costs (the “Phase 2 Engineering Cost Estimate”).

(b) **Review.** After review and approval of the Phase 2 Engineering Cost Estimate by the Fort Bend Authority, the Fort Bend Authority shall provide the Phase 2 Engineering Cost Estimate to the West Authority for review and comment. The West Authority shall have 40 days to review and comment upon the estimate. The Fort Bend Authority shall consider and respond to all comments received from the West Authority, but the Fort Bend Authority shall have the right to make a final decision regarding the amount of such estimate.

Section 3.13. Funding – Phase 2. (a) **Invoicing-Engineering Costs.** Upon the Fort Bend Authority’s approval of the Phase 2 Engineering Cost Estimate, including any revisions resulting from the West Authority’s comments incorporated by the Fort Bend Authority, the Fort Bend Authority shall invoice the West Authority for 100% of the Phase 2 Engineering Cost Estimate. Such invoice shall be due and payable within 40 days of receipt by the West Authority. The Fort Bend Authority shall deposit the West Authority’s payment into a Fort Bend Authority, interest-bearing fund and shall separately account for such deposit. The West Authority payment shall only be applied to the Bellaire Pump Station, Phase 2 Engineering Costs and (after all Bellaire Pump Station, Phase 2 Engineering Costs are paid) to Bellaire Pump Station, Phase 2 Construction Costs. The Fort Bend Authority shall cause its bookkeeper to provide monthly written reports of the application of the West Authority’s deposit and of interest earnings on such deposit.

(b) **Delinquency or Failure to Pay.** If the West Authority fails to timely pay the invoice for the Phase 2 Engineering Cost Estimate, the Fort Bend Authority shall not initiate design of the Bellaire Pump Station, Phase 2 until the West Authority has paid the invoice described in subsection (a) immediately above.

Section 3.14. Design – Phase 2. The plans and specifications for the Bellaire Pump Station, Phase 2 (“Bellaire Pump Station, Phase 2 Plans”) shall be prepared by the Fort Bend Authority Engineer or other engineers selected by the Fort Bend Authority. The Bellaire Pump Station, Phase 2 Plans shall be subject to review and approval by the West Authority Engineer at the following intervals during design: 30% plan completion, 70% plan completion, and proposed final plans. The West Authority Engineer shall have 30 days from the receipt of plans to provide written comments and/or approval, which approval shall not be unreasonably withheld, conditioned, or delayed. If the West Authority Engineer does not submit written comments or approval timely, approval shall be deemed to have been made. If the West Authority Engineer provides written comments and the Fort Bend Authority Engineer and the West Authority Engineer (within 10 days of the Fort Bend Authority Engineer’s receipt of the written comments) fail to agree in writing on the resolution of those comments, the comment and approval period for the West Authority Engineer shall be extended an additional 30 days (running from the expiration of the first 30 days). During such second 30-day period, each

Authority agrees to reasonably consider the position of the other Authority. If no agreement can be reached by the Authorities within the second 30-day period, the Fort Bend Authority shall have the right to make a final decision regarding the Bellaire Pump Station, Phase 2 Plans. The Bellaire Pump Station, Phase 2 Plans shall further be subject to review and approval by Houston, the TCEQ, and any other regulatory authorities with jurisdiction. The Fort Bend Authority Engineer shall be responsible for securing all required approvals.

Section 3.15. Construction Cost Estimate – Phase 2. (a) **Preparation.** After the Fort Bend Authority has completed the Bellaire Pump Station, Phase 2 Plans, the Fort Bend Authority shall cause the Fort Bend Authority Engineer to prepare a cost estimate for the construction of the Bellaire Pump Station, Phase 2 which shall include total estimated Construction Costs (the “Phase 2 Construction Cost Estimate”).

(b) **Review.** After review and approval of the Phase 2 Construction Cost Estimate by the Fort Bend Authority, the Fort Bend Authority shall provide the Phase 2 Construction Cost Estimate to the West Authority for review and comment. The West Authority Engineer shall have 40 days to review and comment upon the estimate. The Fort Bend Authority shall consider and respond to all comments received from the West Authority, but the Fort Bend Authority shall have the right to make a final decision regarding the amount of such estimate.

Section 3.16. Funding – Phase 2. (a) **Invoicing-Construction.** Upon the Fort Bend Authority’s approval of the Phase 2 Construction Cost Estimate, including any revisions resulting from the West Authority’s comments incorporated by the Fort Bend Authority, the Fort Bend Authority shall invoice the West Authority for 100% of the Phase 2 Construction Cost Estimate. Such invoice shall be due and payable within 40 days of receipt by the West Authority. The Fort Bend Authority shall deposit the West Authority’s payment into a Fort Bend Authority, interest-bearing fund and shall separately account for such deposit. In the event the Fort Bend Authority determines that there is insufficient money in such fund to pay for the Bellaire Pump Station, Phase 2 Construction Costs, the Fort Bend Authority shall from time to time cause a new Phase 2 Construction Cost Estimate to be prepared and shall invoice the West Authority for the amount of additional funds reasonably needed to complete the project, which invoices shall be due 40 days after receipt. The West Authority payment(s) shall only be applied to the Bellaire Pump Station, Phase 2 Construction Costs and any remaining Bellaire Pump Station, Phase 2 Engineering Costs. The Fort Bend Authority shall cause its bookkeeper to provide monthly written reports of the application of the West Authority’s deposit(s) and of interest earnings on such deposit(s).

(b) **Delinquency or Failure to Pay.** If the West Authority fails to timely pay the invoice for the Phase 2 Construction Cost Estimate, the Fort Bend Authority shall not commence construction of the Bellaire Pump Station, Phase 2, until the West Authority has paid the invoice described in subsection (a) immediately above.

Section 3.17. Advertising for Bids – Phase 2. The Fort Bend Authority shall cause the Bellaire Pump Station, Phase 2 construction to be advertised for bids. Upon the receipt of bids, the Fort Bend Authority Engineer shall provide a bid tabulation and recommendation of award to the Authorities. The Fort Bend Authority shall authorize the award of contract(s) for the Bellaire Pump Station, Phase 2, provided that the West Authority authorizes such award. If the

West Authority fails to authorize the award of the contract, the Fort Bend Authority shall reject the bids and, at the expense of the West Authority, re-bid the project.

Section 3.18. Construction - Phase 2. The Bellaire Pump Station, Phase 2 shall be constructed, and equipment, materials, and supplies required in connection with the Bellaire Pump Station, Phase 2 shall be acquired, in the name of the Fort Bend Authority. The Fort Bend Authority Engineer shall provide the West Authority Engineer for its review and approval copies of all pay estimates and change orders for the Bellaire Pump Station, Phase 2.

The Fort Bend Authority shall install the Bellaire Pump Station, Phase 2, award construction contracts for same, and obtain payment and performance bonds for same all in accordance with the applicable competitive bidding laws and in full compliance with the rules and regulations of the TCEQ and any other agencies having jurisdiction. Notwithstanding any provision hereof, the Fort Bend Authority may cause the Bellaire Pump Station, Phase 2 to be installed pursuant to any project delivery method allowed by then-current law, including, without limitation, "design build," "construction manager at risk," or other method not requiring competitive bidding. Prior to commencing the construction of the Bellaire Pump Station, Phase 2, the Fort Bend Authority shall comply with the following procedure: (1) the Fort Bend Authority shall give the West Authority written notice of the project delivery method that the Fort Bend Authority desires to implement; (2) after receipt of such written notice, the West Authority shall have 45 days to provide written comments to the Fort Bend Authority regarding the project delivery alternatives; (3) the Fort Bend Authority shall reasonably consider any such comments provided by the West Authority during such 45 day period; and (4) thereafter, the Fort Bend Authority shall, at its discretion, determine the project delivery method that will be implemented for the Bellaire Pump Station, Phase 2.

If the West Authority objects to a proposed change order in the amount of \$150,000 or more, it shall instruct the West Authority Engineer to submit to the Fort Bend Authority Engineer within 30 days of receipt of such proposed change order, the objections and the reasons for the objections. If the Fort Bend Authority Engineer does not receive written objections from the West Authority Engineer within 30 days of the West Authority Engineer's receipt of such a proposed change order, approval shall be deemed to have been made. If the West Authority objects to such a proposed change order, and the Fort Bend Authority Engineer and the West Authority Engineer (within 10 days of the Fort Bend Authority Engineer's receipt of the written objections) fail to agree in writing on the resolution of the objections, the review and comment period for the West Authority shall be extended an additional 30 days (running from the expiration of the first 30 days). During such second 30-day period, each Authority agrees to reasonably consider the position of the other Authority. If no agreement can be reached by the Authorities within the second 30-day period, the Fort Bend Authority shall have the right to make a final decision regarding such change order. Notwithstanding the other provisions of this paragraph, the Fort Bend Authority may declare such 30-day period(s) unnecessary and may proceed with a change order immediately if: (A) the Fort Bend Authority determines that either (i) the change order is necessary to protect public health and safety or to prevent unreasonable economic loss, or (ii) the condition or situation necessitating the change order requires immediate action; and (B) the Fort Bend Authority Engineer issues to the Fort Bend Authority a written opinion in support of said "(i)" or "(ii)".

Upon completion of the Bellaire Pump Station, Phase 2, and the Fort Bend Authority's receipt of the Fort Bend Authority Engineer's Certificate of Substantial Completion and recommendation of final acceptance for the Bellaire Pump Station, Phase 2, the Fort Bend Authority shall accept the Bellaire Pump Station, Phase 2 for ownership and operation by executing a Certificate of Acceptance. The Fort Bend Authority shall provide the West Authority with the Fort Bend Authority Engineer's Certificate of Substantial Completion and recommendation of final acceptance, construction record drawings of such phase, and the Certificate of Acceptance.

Section 3.19. Engineering Services - Phase 2. The Fort Bend Authority Engineer shall provide construction phase services and inspection for the Bellaire Pump Station, Phase 2, including advertising for bids, receiving and analyzing bids, recommending construction contract award, reviewing and approving all pay estimates, reviewing and submitting all change orders, reviewing and approving shop drawings, and recommending acceptance to the Fort Bend Authority.

Section 3.20. Funding - Phase 2. (a) **Application of Funds.** The Fort Bend Authority shall apply the funds received from the West Authority pursuant to Sections 3.13 and 3.16 to the Bellaire Pump Station, Phase 2 Engineering Costs and Construction Costs.

(b) **Final Accounting.** Within 60 days after completion and final acceptance of the Bellaire Pump Station, Phase 2, the Fort Bend Authority shall cause its bookkeeper to provide all relevant financial information to an independent accounting firm for preparation of a final report confirming the total, actual Engineering Costs and Construction Costs of the Bellaire Pump Station, Phase 2 (the "Phase 2 Final Accounting"), which accounting shall include the cost of such final report. The Phase 2 Final Accounting shall state: (i) the difference between the estimated and the final, actual Engineering Costs and Construction Costs for the Bellaire Pump Station, Phase 2 and (ii) the amount of any underpayment or overpayment made by the West Authority, taking into account any interest earnings on the deposit of funds made by the West Authority with the Fort Bend Authority. The Phase 2 Final Accounting shall be provided to the Authorities within 135 days after completion and final acceptance of the Bellaire Pump Station, Phase 2. If the final actual Engineering Costs and Construction Costs, as determined by the Phase 2 Final Accounting, are more than the estimated Engineering Costs and Construction Costs, resulting in an underpayment by the West Authority (taking into account any interest earnings on the West Authority's funds), the West Authority shall pay to the Fort Bend Authority the amount of the underpayment within 40 days of the date the Phase 2 Final Accounting is received by the West Authority. If the final actual Engineering Costs and Construction Costs are less than the estimated Engineering Costs and Construction Costs, resulting in an overpayment by the West Authority (taking into account any interest earnings on the West Authority's funds), the Fort Bend Authority shall pay the West Authority the amount of the overpayment within 40 days of the Fort Bend Authority's receipt of the Phase 2 Final Accounting. Upon completion of the Bellaire Pump Station, Phase 2, and the West Authority's payment, if any is due, pursuant to this Section, the Pro Rata Shares of the Bellaire Pump Station shall be as follows:

<u>Entity</u>	<u>Gallons</u>	<u>Pro Rata Share</u>
Fort Bend Authority	27.0 MGD	67%
West Authority	13.3 MGD	33%
TOTAL	40.3 MGD	100%

Section 3.21. Ownership. Upon completion and final acceptance of the Bellaire Pump Station, Phase 2, the Fort Bend Authority shall own and operate the Bellaire Pump Station, Phase 2 in accordance with the terms and conditions of this Agreement. The Fort Bend Authority shall hold legal title to the Bellaire Pump Station, Phase 2, subject to, so long as the West Authority has paid its Pro Rata Share of the Bellaire Pump Station, Phase 2 Project Costs as described in Sections 3.11, 3.13, 3.16, and 3.20, the equitable interest of the West Authority, to the extent of its Pro Rata Share shown in Section 3.20. If the West Authority has paid its Pro Rata Share of the Bellaire Pump Station, Phase 2 Project Costs as described in Sections 3.11, 3.13, 3.16, and 3.20, the West Authority shall (in addition to its options under Sections 2.7 and 2.15) have the right, at its cost, to construct and install a waterline connection and related appurtenances that connect to the Bellaire Pump Station (on the Bellaire Pump Station Site) to enable the West Authority to obtain its additional 11 MGD of capacity constructed pursuant to the Bellaire Pump Stations, Phase 2, subject to the Fort Bend Authority Engineer's approval of West Authority plans and specifications for same, which approval shall not be unreasonably withheld or delayed.

Section 3.22. West Authority Access. The Fort Bend Authority shall allow the West Authority's representatives to have access at all times to construction in progress of each phase of the Bellaire Pump Station and to make such inspections of construction as the West Authority may deem necessary or desirable. The West Authority shall also have full access to all of the Fort Bend Authority's contracts, pay estimates, change orders, engineering recommendations of final acceptance, books, records, and all other documentation relating to the construction of each phase of the Bellaire Pump Station.

Article IV Second Source Waterline

Section 4.1. General. The Second Source Waterline is planned to convey Water from Houston's Northeast Water Plant to the Authorities; provided, however, if the Authorities, Houston, and NHCRWA (at the option and discretion of each of such entity) collectively enter into a written cost-sharing agreement regarding their joint funding and construction of the Potential Shared Line, then the Authorities intend that the routing of the Second Source Waterline that is reflected in Exhibit A would be modified (and the length of the waterline decreased) as allowed by the definition of "Second Source Waterline." The Authorities' respective capacities and Pro Rata Shares of each Second Source Waterline Segment are set forth in the attached Exhibit A. With respect to the right-of-way designated on Exhibit A as "Surplus Right of Way" and all Realty Interests located east of the point where Second Source Waterline Segment 3 connects to Second Source Waterline Segment 1 (even if any of such Realty Interests are not needed for the Second Source Waterline), each Authority's Pro Rata Share shall be its Pro Rata Share of the Second Source Waterline Segment 1 set forth in Exhibit A (as revised

pursuant to this Section 4.1). It is currently estimated that the Second Source Waterline Project Costs will be approximately \$542,419,000; provided, however, the Authorities recognize that such figure is merely an estimate and that such figure may change (increase or decrease) substantially during the period of time from the Effective Date to the date that the Second Source Waterline is completed.

Each Authority reserves the right to make a one-time adjustment of its capacity in the Second Source Waterline by having its Board of Directors adopt a written notice ("Capacity Adjustment Notice") that is provided to the other Authority no later than March 1, 2012, after which date no further adjustment to capacity allocations in the Second Source Waterline may be made without the written agreement of both Authorities. Notwithstanding the foregoing, unless both Authorities agree in writing: (i) the Fort Bend Authority shall not increase or decrease its capacity in the Second Source Waterline pursuant to this Section more than 20% (i.e., the Fort Bend Authority's total capacity cannot exceed 70.8 MGD (59 MGD plus 11.8 MGD) and cannot be less than 47.2 MGD (59 MGD minus 11.8 MGD)); and (ii) the West Authority shall not increase or decrease its capacity in the Second Source Waterline pursuant to this Section more than 20% (i.e., the West Authority's total capacity cannot exceed 104.4 MGD (87 MGD plus 17.4 MGD) and cannot be less than 69.6 MGD (87 MGD minus 17.4 MGD)).

If one or both Authority(ies) modify their Pro Rata Shares in the Second Source Waterline pursuant to the provisions of the preceding paragraph, then, by June 1, 2012: (i) both Authorities shall execute an amended **Exhibit A**, acknowledging the revised capacities and Pro Rata Shares; and (ii) the West Authority shall cause an independent accounting firm to prepare a report showing the amount of the underpayment and/or overpayment (of principal and interest) for each Authority with respect to funds paid by each Authority for Second Source Waterline Realty Project Costs under Section 4.3(b), in light of the adjustment of Pro Rata Shares pursuant to the preceding paragraph ("Adjustment Report"). The Adjustment Report shall be provided to the Authorities and the Authorities shall "true-up" their payments to each other within 40 days of receipt of the Adjustment Report.

Section 4.2. Timing. The West Authority Engineer has prepared an estimated schedule and an estimated budget for the Second Source Waterline Project Costs, a copy of which is attached as **Exhibit E** (the "Second Source Schedule and Budget"). By December 31st of each year, beginning in 2012 and continuing each year until the project is complete, the West Authority shall review and update the Second Source Schedule and Budget and provide such update to the Fort Bend Authority. The Authorities require that the Second Source Waterline be completed no later than June 30, 2019 (plus the time period equal to the HGSD Extension Period), and shall mutually exert their best faith efforts to meet this schedule.

Section 4.3. Acquisition of Realty Interests. (a) The West Authority has to date acquired certain Realty Interests for the Second Source Waterline and additional Realty Interests are required for the project. To the extent not already acquired by the West Authority, the West Authority shall determine which Realty Interests are necessary or convenient for the Second Source Waterline and the West Authority shall acquire same in its name.

(b) **Previously Incurred and Future Costs.** Within 40 days after receipt of an invoice from the West Authority, the Fort Bend Authority shall reimburse the West Authority for a

portion of the Incurred Second Source Waterline Realty Costs (plus a portion of the Operation and Maintenance Expenses previously incurred by the West Authority related to Second Source Waterline Realty Interests), based upon the Fort Bend Authority's Pro Rata Share of the Second Source Waterline, with interest calculated as set forth in the following paragraph. The "Fort Bend Authority's Pro Rata Share of the Second Source Waterline" for purposes of the preceding sentence only shall be its Pro Rata Share of the Second Source Waterline Segment 1 set forth in Exhibit A. (Such Exhibit A currently shows each Authority's Pro Rata Share of the Second Source Waterline Segment 1 as follows: 59.6% for the West Authority and 40.4% for Fort Bend Authority.)

In paying the Incurred Second Source Waterline Realty Costs, the West Authority has used funds from its bond proceeds and from non-bond proceeds out of its Improvement Fund. The West Authority has paid Operation and Maintenance Expenses related to Second Source Waterline Realty Interests from its Operating Fund. The interest due from the Fort Bend Authority pursuant to the preceding paragraph shall be calculated as follows: (i) for Incurred Second Source Waterline Realty Costs paid from West Authority bond proceeds, the interest rate shall be the Applicable Bond Interest Rate incurred by the West Authority and interest shall run from the date(s) the costs were paid until the date of payment by the Fort Bend Authority; (ii) for Incurred Second Source Waterline Realty Costs paid from the West Authority's Improvement Fund, the interest rate shall be the TexStar Interest Rate and interest shall run from the date(s) the costs were paid until the date of payment by the Fort Bend Authority; and (iii) for Operation and Maintenance Expenses previously incurred by the West Authority related to Second Source Waterline Realty Interests, the interest rate shall be the TexStar Interest Rate and interest shall run from the date(s) the costs were paid until the date of payment by the Fort Bend Authority. Estimates of the Incurred Second Source Waterline Realty Costs and the incurred Operation and Maintenance Expenses related to Second Source Waterline Realty Interests are shown in Exhibit F.

Included in Exhibit F is a cost estimate of \$49,306,000 for the total Realty Costs of the Second Source Waterline, save and except the Incurred Second Source Waterline Realty Costs. No later than July 29, 2011: (i) the Fort Bend Authority shall pay the West Authority, for deposit into the Second Source Waterline Fund, 30% of its portion of such estimate, based upon the Fort Bend Authority's Pro Rata Share of the Second Source Waterline as set forth in Exhibit A; and (ii) the West Authority shall deposit into the Second Source Waterline Fund 30% of its portion of such estimate, based upon the West Authority's Pro Rata Share of the Second Source Waterline as set forth in Exhibit A. No earlier than 12 months after the Effective Date, and after the West Authority Engineer has re-evaluated the cost estimate for the total Realty Costs of the Second Source Waterline and made any adjustments thereto reasonably determined necessary by the West Authority, the West Authority shall invoice the Fort Bend Authority for 100% of its portion of such estimate based upon the Fort Bend Authority's Pro Rata Share of the Second Source Waterline as set forth in Exhibit A (as revised pursuant to Section 4.1), less the funds previously paid by the Fort Bend Authority pursuant to the second sentence of this paragraph, which invoice shall be due and payable within 60 days of receipt. At the same time that it sends such invoice to the Fort Bend Authority, the West Authority shall invoice itself for 100% of its portion of such estimate based on the West Authority's Pro Rata Share of each Second Source Waterline as set forth in Exhibit A (as revised pursuant to Section 4.1), less the funds previously

paid by the West Authority pursuant to the second sentence of this paragraph, which invoice shall be due and payable within 60 days of receipt.

The deposits made pursuant to the preceding paragraph, and related interest, shall only be applied to Second Source Waterline Realty Costs and (after all Second Source Waterline Realty Costs are paid) Second Source Waterline Project Costs. In the event the West Authority determines that there is insufficient money in the Second Source Waterline Fund to pay for the Second Source Waterline Realty Costs, the West Authority shall from time to time invoice (and/or cause a new estimate of the Second Source Waterline Realty Costs to be prepared) both Authorities for the amount of additional funds reasonably needed to pay for the Second Source Waterline Realty Costs, which invoices shall be due 40 days after receipt. For the purpose of calculating the payments for the estimate(s) described in the preceding paragraph and this paragraph (and only such estimate(s)), each Authority's Pro Rata Share of the Second Source Waterline shall be its Pro Rata Share of the Second Source Waterline Segment 1 set forth in Exhibit A (as revised pursuant to Section 4.1); provided, however, that at the time of the "true-up" of costs made pursuant to the Second Source Final Accounting under Section 4.12(b), the Second Source Waterline Realty Costs (except for the Incurred Second Source Waterline Realty Costs) shall be allocated based on each Authority's Pro Rata Share of each Second Source Waterline Segment set forth in Exhibit A (as revised pursuant to Section 4.1).

(c) **Delinquency or Failure to Pay.**

(1) If the Fort Bend Authority fails to timely pay the invoice(s) to the West Authority for its share of the Realty Costs of the Second Source Waterline as described in Section 4.3(b), interest shall accrue for the benefit of the West Authority on the delinquent payment(s), as described in Section 11.1(c) of this Agreement. In addition to all other available remedies, after the West Authority has given the Fort Bend Authority written notice of the payment delinquency and a 40 day period in which to cure by paying the delinquent funds (and interest) to the West Authority, if the Fort Bend Authority remains delinquent thereafter, the West Authority may: (i) declare the Fort Bend Authority in default and thereafter cease acquiring Realty Interests for the Second Source Waterline; (ii) refrain from designing the Second Source Waterline or proceed with designing same but exclude the Fort Bend Authority's capacity from the Second Source Waterline such that all Water and capacity in the facilities are for the benefit of the West Authority or any third party; and/or (iii) prohibit the Fort Bend Authority from receiving any Water or capacity in the Second Source Waterline. If the Fort Bend Authority is declared in default by the West Authority pursuant to the preceding sentence, the Fort Bend Authority shall not be entitled to a refund from the West Authority for any Fort Bend Authority payments made for Second Source Waterline Project Costs.

(2) If the West Authority fails to timely pay the invoice(s) to itself for its share of the Realty Costs of the Second Source Waterline as described in Section 4.3(b), interest shall accrue for the benefit of the Fort Bend Authority on the delinquent payment(s), as described in Section 11.1(c) of this Agreement. In addition to all other available remedies, after the Fort Bend Authority has given the West Authority written notice of the payment delinquency and a 40 day period in which to cure by paying the delinquent funds to the West Authority (and paying the interest on the delinquent funds to the Fort Bend Authority), if the West Authority remains delinquent thereafter, the Fort Bend Authority may: (i) declare the West Authority in default

and thereafter assume the acquisition of Realty Interests for the Second Source Waterline; (ii) proceed with designing the Second Source Waterline but exclude the West Authority's capacity from the Second Source Waterline such that all Water and capacity in the facilities are for the benefit of the Fort Bend Authority or any third party; and/or (iii) prohibit the West Authority from receiving any Water or capacity in the Second Source Waterline. If the West Authority is declared in default by the Fort Bend Authority pursuant to the preceding sentence, the West Authority shall not be entitled to a refund from the Fort Bend Authority for any West Authority payments made for Second Source Waterline Project Costs.

(d) **Legal Title to Realty Interests.** Subject to the Fort Bend Authority's payment of its Pro Rata Share of all Realty Costs attributable to the Second Source Waterline, as required by this Article IV, the West Authority shall hold legal title to the Realty Interests previously and hereafter acquired by the West Authority related to the Second Source Waterline (including those described in the second sentence of the definition of Realty Interests) for the benefit of the Fort Bend Authority and itself based upon the Pro Rata Shares of each Authority in each Second Source Waterline Segment, and the Fort Bend Authority shall have an equitable interest in such Realty Interests to the extent of its Pro Rata Share in each Second Source Waterline Segment, shown in Exhibit A (as revised pursuant to Section 4.1; provided, however, with respect to the right-of-way designated on Exhibit A as "Surplus Right of Way" and all Realty Interests located east of the point where Second Source Waterline Segment 3 connects to Second Source Waterline Segment 1 (even if any of such Realty Interests are not needed for the Second Source Waterline), the Fort Bend Authority's equitable interest shall be the Fort Bend Authority's Pro Rata Share of the Second Source Waterline Segment 1 set forth in Exhibit A (as revised pursuant to Section 4.1).

Section 4.4. Engineering Cost Estimate. (a) **Preparation.** The West Authority shall cause the West Authority Engineer to prepare a cost estimate for the design of the Second Source Waterline which shall include total, estimated Engineering Costs (the "Second Source Engineering Cost Estimate").

(b) **Review.** After review and approval of the Second Source Engineering Cost Estimate by the West Authority, the West Authority shall provide the Second Source Engineering Cost Estimate to the Fort Bend Authority for review and comment. The Fort Bend Authority shall have 40 days to review and comment upon the estimate. The West Authority shall consider and respond to all comments received from the Fort Bend Authority, but the West Authority shall have the right to make a final decision regarding the amount of such estimate.

Section 4.5. Funding. (a) **Invoicing-Engineering Costs.** Upon the West Authority's approval of the Second Source Engineering Cost Estimate, including any revisions resulting from the Fort Bend Authority's comments incorporated by the West Authority, the West Authority shall invoice the Fort Bend Authority for the Fort Bend Authority's Pro Rata Share of the Second Source Engineering Cost Estimate based on the Fort Bend Authority's Pro Rata Share of each Second Source Waterline Segment set forth in Exhibit A (as revised pursuant to Section 4.1). Without the Fort Bend Authority's written consent, the West Authority shall not send such invoice to the Fort Bend Authority prior to the earlier of (i) December 31, 2012 (plus the time period equal to the HGSD Extension Period), or (ii) April 1, 2016; provided, however, without the Fort Bend Authority's written consent, in no event shall the West Authority send

such invoice to the Fort Bend Authority unless either the Fort Bend Authority or West Authority, or both, has sent a Reservation to Houston that requires Houston's Northeast Plant to be expanded. Such invoice shall be due and payable within 40 days of receipt by the Fort Bend Authority; provided, however, if the West Authority, in its sole discretion, agrees in writing to allow the Fort Bend Authority to provide a financial guarantee (for example, an acceptable letter of credit) in lieu of such cash payment, then such financial guarantee shall be provided within the 40 day period. The West Authority shall deposit the Fort Bend Authority's payment into the Second Source Waterline Fund, and shall separately account for such deposit. At the same time that it sends such invoice to the Fort Bend Authority, the West Authority shall invoice itself for its Pro Rata Share of the Second Source Engineering Cost Estimate based on the West Authority's Pro Rata Share of each Second Source Waterline Segment set forth in Exhibit A (as revised pursuant to Section 4.1). Such invoice shall be due and payable within 40 days of receipt by the West Authority; provided, however, if the Fort Bend Authority, in its sole discretion, agrees in writing to allow the West Authority to provide a financial guarantee (for example, an acceptable letter of credit) in lieu of such cash payment, then such financial guarantee shall be provided within the 40 day period. Such Authority payments shall only be applied to the Second Source Waterline Engineering Costs and (after all Second Source Waterline Engineering Costs are paid) to Second Source Waterline Construction Costs. In the event the West Authority determines that there is insufficient money in the Second Source Waterline Fund to pay for the Second Source Waterline Engineering Costs, the West Authority shall from time to time invoice (and/or cause a new Second Source Engineering Cost Estimate to be prepared) both Authorities for the amount of additional funds reasonably needed to pay for the Second Source Waterline Engineering Costs, which invoices shall be due 40 days after receipt.

(b) Delinquency or Failure to Pay.

(1) If the Fort Bend Authority fails to timely pay the invoice(s) to the West Authority for its share of the Second Source Waterline Engineering Costs as described in Section 4.5(a), interest shall accrue for the benefit of the West Authority on the delinquent payment(s), as described in Section 11.1(c) of this Agreement. In addition to all other available remedies, after the West Authority has given the Fort Bend Authority written notice of the payment delinquency and a 40 day period in which to cure by paying the delinquent funds (and interest) to the West Authority, if the Fort Bend Authority remains delinquent thereafter, the West Authority may: (i) declare the Fort Bend Authority in default and thereafter design (or re-design) the Second Source Waterline such that all Water and capacity in the facilities are for the benefit of the West Authority or any third party; (ii) prohibit the Fort Bend Authority from receiving any Water or capacity in the Second Source Waterline; and/or (iii) require the Fort Bend Authority to pay for all Engineering Costs incurred by the West Authority to re-design the Second Source Waterline so that the Fort Bend Authority's capacity is excluded from the Second Source Waterline. If the Fort Bend Authority is declared in default by the West Authority pursuant to the preceding sentence, the Fort Bend Authority shall not be entitled to a refund from the West Authority for any Fort Bend Authority payments made for Second Source Waterline Project Costs.

(2) If the West Authority fails to timely pay the invoice(s) to itself for its share of the Second Source Waterline Engineering Costs as described in Section 4.5(a), interest shall accrue

for the benefit of the Fort Bend Authority on the delinquent payment(s), as described in Section 11.1(c) of this Agreement. In addition to all other available remedies, after the Fort Bend Authority has given the West Authority written notice of the payment delinquency and a 40 day period in which to cure by paying the delinquent funds to the West Authority (and paying the interest on the delinquent funds to the Fort Bend Authority), if the West Authority remains delinquent thereafter, the Fort Bend Authority may: (i) declare the West Authority in default and thereafter assume the design (or re-design) of the Second Source Waterline such that all Water and capacity in the facilities are for the benefit of the Fort Bend Authority or any third party; (ii) prohibit the West Authority from receiving any Water or capacity in the Second Source Waterline; and/or (iii) require the West Authority to pay for all Engineering Costs incurred by the Fort Bend Authority to re-design the Second Source Waterline so that the West Authority's capacity is excluded from the Second Source Waterline. If the West Authority is declared in default by the Fort Bend Authority pursuant to the preceding sentence, the West Authority shall not be entitled to a refund from the Fort Bend Authority for any West Authority payments made for Second Source Waterline Project Costs.

Section 4.6. Design. The Second Source Waterline Plans shall be prepared by the West Authority Engineer or other engineers selected by the West Authority. The Second Source Waterline Plans shall be subject to review and approval by the Fort Bend Authority Engineer at the following intervals during design: 30% plan completion, 70% plan completion, and proposed final plans. The Fort Bend Authority Engineer shall have 30 days from the receipt of plans to provide written comments and/or approval, which approval shall not be unreasonably withheld, conditioned, or delayed. If the Fort Bend Authority Engineer does not submit written comments or approval timely, approval shall be deemed to have been made. If the Fort Bend Authority Engineer provides written comments and the West Authority Engineer and the Fort Bend Authority Engineer (within 10 days of the West Authority Engineer's receipt of the written comments) fail to agree in writing on the resolution of those comments, the comment and approval period for the Fort Bend Authority Engineer shall be extended an additional 30 days (running from the expiration of the first 30 days). During such second 30-day period, each Authority agrees to reasonably consider the position of the other Authority. If no agreement can be reached by the Authorities within the second 30-day period, the West Authority shall have the right to make a final decision regarding the Second Source Waterline Plans. The Second Source Waterline Plans shall further be subject to review and approval by Houston, the TCEQ, and any other regulatory authorities with jurisdiction. The West Authority Engineer shall be responsible for securing all required approvals.

Section 4.7. Construction Cost Estimate. (a) **Preparation.** After the Second Source Waterline Plans are at least 70% complete, as reasonably determined by the West Authority, the West Authority shall cause the West Authority Engineer to prepare a draft cost estimate for the construction of the Second Source Waterline, which shall include total estimated Construction Costs. Such draft estimate shall be provided to the Fort Bend Authority for review and comment and the Fort Bend Authority shall have 40 days to review and comment on the draft estimate. After the Second Source Waterline Plans are generally at least 90% complete, as reasonably determined by the West Authority, the West Authority shall cause the West Authority Engineer to prepare a final cost estimate for the construction of the Second Source Waterline, which shall include total estimated Construction Costs. (Such final cost estimate is referred to herein as the "Second Source Construction Cost Estimate.")

(b) **Review.** After review and approval of the Second Source Construction Cost Estimate by the West Authority, the West Authority shall provide the Second Source Construction Cost Estimate to the Fort Bend Authority for review and comment. The Fort Bend Authority shall have 40 days to review and comment upon the estimate. The West Authority shall consider and respond to all comments received from the Fort Bend Authority, but the West Authority shall have the right to make a final decision regarding the amount of such estimate.

Section 4.8. Funding. (a) **Invoicing-Construction.** Upon the West Authority's approval of the Second Source Construction Cost Estimate, including any revisions resulting from the Fort Bend Authority comments incorporated by the West Authority, the West Authority shall invoice the Fort Bend Authority for 70% of the Fort Bend Authority's Pro Rata Share of the Second Source Construction Cost Estimate based on the Fort Bend Authority's Pro Rata Share of each Second Source Waterline Segment set forth in Exhibit A (as revised pursuant to Section 4.1). Such invoice shall be due and payable within 90 days of receipt by the Fort Bend Authority; provided, however, if the West Authority, in its sole discretion, agrees in writing to allow the Fort Bend Authority to provide a financial guarantee (for example, an acceptable letter of credit) in lieu of such cash payment, then such financial guarantee shall be provided within the 90 day period. The West Authority shall deposit the Fort Bend Authority's payment into the Second Source Waterline Fund, and shall separately account for such deposit. At the same time that it sends such invoice to the Fort Bend Authority, the West Authority shall invoice itself for 70% of its Pro Rata Share of the Second Source Construction Cost Estimate based on the West Authority's Pro Rata Share of each Second Source Waterline Segment set forth in Exhibit A (as revised pursuant to Section 4.1). Such invoice shall be due and payable within 90 days of receipt by the West Authority; provided, however, if the Fort Bend Authority, in its sole discretion, agrees in writing to allow the West Authority to provide a financial guarantee (for example, an acceptable letter of credit) in lieu of such cash payment, then such financial guarantee shall be provided within the 90 day period.

No earlier than 12 months after the date of the invoices sent pursuant to the preceding paragraph, and after the West Authority Engineer has re-evaluated the Second Source Construction Cost Estimate and made any adjustments thereto reasonably determined necessary by the West Authority, the West Authority shall invoice the Fort Bend Authority for 100% of the Fort Bend Authority's Pro Rata Share of the Second Source Construction Cost Estimate based on the Fort Bend Authority's Pro Rata Share of each Second Source Waterline Segment set forth in Exhibit A (as revised pursuant to Section 4.1), less the funds previously paid by the Fort Bend Authority pursuant to the preceding paragraph. Such invoice shall be due and payable within 90 days of receipt by the Fort Bend Authority; provided, however, if the West Authority, in its sole discretion, agrees in writing to allow the Fort Bend Authority to provide a financial guarantee (for example, an acceptable letter of credit) in lieu of such cash payment, then such financial guarantee shall be provided within the 90 day period. The West Authority shall deposit the Fort Bend Authority's payment into the Second Source Waterline Fund, and shall separately account for such deposit. At the same time that it sends such invoice to the Fort Bend Authority, the West Authority shall invoice itself for 100% of its Pro Rata Share of the Second Source Construction Cost Estimate based on the West Authority's Pro Rata Share of each Second Source Waterline Segment set forth in Exhibit A (as revised pursuant to Section

4.1), less the funds previously paid by the West Authority pursuant to the preceding paragraph. Such invoice shall be due and payable within 90 days of receipt by the West Authority; provided, however, if the Fort Bend Authority, in its sole discretion, agrees in writing to allow the West Authority to provide a financial guarantee (for example, an acceptable letter of credit) in lieu of such cash payment, then such financial guarantee shall be provided within the 90 day period.

All Authority payments made pursuant to this Section shall only be applied to the Second Source Waterline Construction Costs and (after all Second Source Waterline Construction Costs are paid) to Second Source Waterline Project Costs. In the event the West Authority determines that there is insufficient money in such fund to pay for the Second Source Waterline Construction Costs, the West Authority shall from time to time cause a new Second Source Construction Cost Estimate to be prepared and shall invoice both Authorities for the amount of additional funds reasonably needed to complete the project, which invoices shall be due 90 days after receipt.

(b) Delinquency or Failure to Pay.

(1) If the Fort Bend Authority fails to timely pay the invoice(s) to the West Authority for its share of the Second Source Waterline Construction Costs, as described in Section 4.8(a), interest shall accrue for the benefit of the West Authority on the delinquent payment(s), as described in Section 11.1(c) of this Agreement. In addition to all other available remedies, after the West Authority has given the Fort Bend Authority written notice of the payment delinquency and a 60 day period in which to cure by paying the delinquent funds (and interest) to the West Authority, if the Fort Bend Authority remains delinquent thereafter, the West Authority may: (i) declare the Fort Bend Authority in default and thereafter design (or re-design) and construct (or re-construct) the Second Source Waterline such that all Water and capacity in the facilities are for the benefit of the West Authority or any third party; (ii) prohibit the Fort Bend Authority from receiving any Water or capacity in the Second Source Waterline; and/or (iii) require the Fort Bend Authority to pay for all Engineering Costs and Construction Costs incurred by the West Authority to re-design or re-construct the Second Source Waterline so that the Fort Bend Authority's capacity is excluded from the Second Source Waterline. If the Fort Bend Authority is declared in default by the West Authority pursuant to the preceding sentence, the Fort Bend Authority shall not be entitled to a refund from the West Authority for any Fort Bend Authority payments made for Second Source Waterline Project Costs.

(2) If the West Authority fails to timely pay the invoice(s) to itself for its share of the Second Source Waterline Construction Costs, as described in Section 4.8(a), interest shall accrue for the benefit of the Fort Bend Authority on the delinquent payment(s), as described in Section 11.1(c) of this Agreement. In addition to all other available remedies, after the Fort Bend Authority has given the West Authority written notice of the payment delinquency and a 60 day period in which to cure by paying the delinquent funds to the West Authority (and paying the interest on the delinquent funds to the Fort Bend Authority), if the West Authority remains delinquent thereafter, the Fort Bend Authority may: (i) declare the West Authority in default and thereafter assume the design (or re-design) and the construction (or re-construction) of the Second Source Waterline such that all Water and capacity in the facilities are for the benefit of the Fort Bend Authority or any third party; (ii) prohibit the West Authority from receiving any

Water or capacity in the Second Source Waterline; and/or (iii) require the West Authority to pay for all Engineering Costs and Construction Costs incurred by the Fort Bend Authority to re-design or re-construct the Second Source Waterline so that the West Authority's capacity is excluded from the Second Source Waterline. If the West Authority is declared in default by the Fort Bend Authority pursuant to the preceding sentence, the West Authority shall not be entitled to a refund from the Fort Bend Authority for any West Authority payments made for Second Source Waterline Project Costs.

Section 4.9. Advertising for Bids. The West Authority shall cause the Second Source Waterline construction to be advertised for bids in one or more construction contracts. Upon the receipt of bids for the applicable portion of the project, the West Authority Engineer shall provide bid tabulation(s) and recommendation(s) of award to the Authorities. With respect to each construction contract, the Fort Bend Authority shall have 30 days from receipt of the bid tabulation and recommendation of award to provide comments to the West Authority regarding same. After such 30-day period, the West Authority may award the construction contract(s) for the Second Source Waterline (or any portion thereof), subject to its right to reject any or all bids for the construction of same.

Section 4.10. Construction. The Second Source Waterline shall be constructed, and equipment, materials, supplies, and Realty Interest required in connection with the Second Source Waterline shall be acquired, in the name of the West Authority. The West Authority Engineer shall provide the Fort Bend Authority Engineer for its review and comment copies of all pay estimates and change orders for the Second Source Waterline.

The West Authority shall install the Second Source Waterline, award construction contract(s) for same, and obtain payment and performance bonds for same all in accordance with the applicable competitive bidding laws and in full compliance with the rules and regulations of the TCEQ and any other agencies having jurisdiction. Notwithstanding any provision hereof, the West Authority may cause the Second Source Waterline to be installed pursuant to any project delivery method allowed by then-current law, including, without limitation, "design build," "construction manager at risk," or other method not requiring competitive bidding. Prior to commencing the construction of the Second Source Waterline, the West Authority shall comply with the following procedure: (1) the West Authority shall give the Fort Bend Authority written notice of the project delivery method that the West Authority desires to implement; (2) after receipt of such written notice, the Fort Bend Authority shall have 45 days to provide written comments to the West Authority regarding the project delivery alternatives; (3) the West Authority shall reasonably consider any such comments provided by the Fort Bend Authority during such 45 day period; and (4) thereafter, the West Authority shall, at its discretion, determine the project delivery method that will be implemented for the Second Source Waterline.

If the Fort Bend Authority objects to a proposed change order in the amount of \$150,000 or more, it shall instruct the Fort Bend Authority Engineer to submit to the West Authority Engineer within 30 days of receipt of such proposed change order, the objections and the reasons for the objections. If the West Authority Engineer does not receive written objections from the Fort Bend Authority Engineer within 30 days of the Fort Bend Authority Engineer's receipt of such a proposed change order, approval shall be deemed to have been made. If the

Fort Bend Authority objects to such a proposed change order, and the Fort Bend Authority Engineer and the West Authority Engineer (within 10 days of the West Authority Engineer's receipt of the written objections) fail to agree in writing on the resolution of the objections, the review and comment period for the Fort Bend Authority shall be extended an additional 30 days (running from the expiration of the first 30 days). During such second 30-day period, each Authority agrees to reasonably consider the position of the other Authority. If no agreement can be reached by the Authorities within the second 30-day period, the West Authority shall have the right to make a final decision regarding such change order. Notwithstanding the other provisions of this paragraph, the West Authority may declare such 30-day period(s) unnecessary and may proceed with a change order immediately if: (A) the West Authority determines that either (i) the change order is necessary to protect public health and safety or to prevent unreasonable economic loss, or (ii) the condition or situation necessitating the change order requires immediate action; and (B) the West Authority Engineer issues to the West Authority a written opinion in support of said "(i)" or "(ii)".

Upon completion of the Second Source Waterline, and the West Authority's receipt of Certificate(s) of Substantial Completion and recommendations of final acceptance of the Second Source Waterline from the West Authority Engineer, the West Authority shall accept the Second Source Waterline for ownership and operation by executing Certificate(s) of Acceptance. The West Authority shall provide the Fort Bend Authority with the West Authority Engineer's Certificate(s) of Substantial Completion and recommendations of final acceptance, construction record drawings of the Second Source Waterline, and the Certificate(s) of Acceptance.

Section 4.11. Engineering. The West Authority Engineer shall provide construction phase services and inspection for the Second Source Waterline, including advertising for bids, receiving and analyzing bids, recommending construction contract award, reviewing and approving all pay estimates, reviewing and submitting all change orders, reviewing and approving shop drawings, and recommending acceptance to the West Authority.

Section 4.12. Funding. (a) **Application of Funds.** The West Authority shall cause its bookkeeper to provide monthly written reports of the application of each Authority's payment for Second Source Waterline Project Costs and of interest earnings related thereto. Except as otherwise provided in Section 4.3, the West Authority shall apply the funds received under Sections 4.3, 4.5, and 4.8 to the Authorities' respective Pro Rata Shares of the Second Source Waterline Project Costs based on each Authority's Pro Rata Share of each Second Source Waterline Segment set forth in Exhibit A (as revised pursuant to Section 4.1). Notwithstanding any provision hereof, the West Authority may (at its option) allocate any Global Second Source Waterline Consultant Cost between the Authorities according to each Authority's Pro Rata Share of the Second Source Waterline Segment 1 set forth in Exhibit A (as revised pursuant to Section 4.1).

(b) **Final Accounting.** Within 60 days after completion and final acceptance of the Second Source Waterline, the West Authority shall cause its bookkeeper to provide all relevant financial information to an independent accounting firm for preparation of a final report confirming the total, actual Second Source Waterline Project Costs (the "Second Source Final Accounting"), which accounting shall include the cost of such final report. The Second Source Final Accounting shall state: (i) the difference between the estimated and the final, actual

Second Source Waterline Project Costs and (ii) the amount of any underpayment or overpayment made by the Fort Bend Authority, taking into account any interest earnings on the deposit of funds made by the Fort Bend Authority with the West Authority. The Second Source Final Accounting shall be provided to the Authorities within 135 days after completion and final acceptance of the Second Source Waterline. If the final actual Second Source Waterline Project Costs, as determined by the Second Source Final Accounting, are more than the estimated Second Source Waterline Project Costs, resulting in an underpayment by the Fort Bend Authority (taking into account any interest earnings on the Fort Bend Authority's funds), the Fort Bend Authority shall pay to the West Authority the amount of the underpayment within 40 days of the date the Second Source Final Accounting is received by the Fort Bend Authority. If the final actual Second Source Waterline Project Costs are less than the estimated Second Source Waterline Project Costs, resulting in an overpayment by the Fort Bend Authority (taking into account any interest earnings on the Fort Bend Authority's funds), the West Authority shall pay the Fort Bend Authority the amount of the overpayment within 40 days of the West Authority's receipt of the Second Source Final Accounting. The Second Source Final Accounting shall also be used to determine if the West Authority overpaid or underpaid on the project and it shall adjust its books accordingly.

Section 4.13. Ownership. Upon completion and final acceptance of the Second Source Waterline, the West Authority shall own and operate the Second Source Waterline in accordance with the terms and conditions of this Agreement. The West Authority shall hold legal title to the Second Source Waterline, subject to, so long as the Fort Bend Authority has paid its Pro Rata Share of the Second Source Waterline Project Costs for each Second Source Waterline Segment as described in Sections 4.3, 4.5, 4.8, and 4.12, the equitable interest of the Fort Bend Authority to the extent of its Pro Rata Share in each Second Source Waterline Segment, shown in Exhibit A (as revised pursuant to Section 4.1).

Section 4.14. Fort Bend Authority Access. The West Authority shall allow the Fort Bend Authority's representatives to have access at all times to construction in progress of the Second Source Waterline and to make such inspections of construction as the Fort Bend Authority may deem necessary or desirable. The Fort Bend Authority shall also have full access to all of the West Authority's contracts, pay estimates, change orders, engineering recommendation of final acceptance, books, records, and all other documentation relating to the construction of the Second Source Waterline.

Article V

Joint Facilities Operation, Maintenance, Repair, and Sale/Disposal/Encumbrance

Section 5.1. Operation. The Responsible Authority shall maintain, repair, and operate the Joint Facilities for which it is responsible in accordance with accepted practices for the operation of similar type and size facilities and in compliance with the Regulatory Requirements. The Responsible Authority is authorized to control the flow of Water at the Joint Facilities for which it is responsible such that neither Authority receives more Water than it is entitled to under this Agreement. The Responsible Authority is expressly authorized to enter into operating agreements with any person or entity to operate or maintain the Joint Facilities for which it is responsible. Such person or entity shall be licensed and qualified under the rules

and regulations of the TCEQ to operate or maintain facilities similar to the applicable Joint Facilities, if such licensing and qualification is required by the Regulatory Requirements.

The Responsible Authority, with respect to any Joint Facility for which it is responsible, shall take reasonable efforts to promptly repair Water leaks at such Joint Facility. In addition, each Authority shall take reasonable efforts to promptly repair Water leaks in its Distribution System.

Section 5.2. Independent Contractor. As between the Authorities, and subject to the terms of this Agreement, the Responsible Authority shall be solely responsible for operation of the Joint Facilities for which it is responsible to provide water delivery service to the Authorities pursuant to this Agreement, and the Responsible Authority shall be an independent contractor in the operation of the applicable Joint Facilities.

Section 5.3. Regulatory Compliance and Liability for Violations and Third Party Claims.

(a) **Generally.** The Authorities recognize that the obligations of the Responsible Authority to operate or maintain the Joint Facilities for which it is responsible as provided in this Agreement are subject to all present and future Regulatory Requirements and the Authorities agree to cooperate to make such applications and to take such action as may be desirable to maintain compliance with the Regulatory Requirements.

(b) **Liability for violations.** Liability for regulatory violations at a Joint Facility shall be shared by the Authorities based on their Pro Rata Shares in the affected Joint Facility at the time the violation occurred; provided, however, that if liability results from the gross negligence or intentional misconduct by either Authority, such Authority shall be solely responsible to the extent any loss is caused by its gross negligence or intentional misconduct. The Responsible Authority for the affected Joint Facility: (i) shall provide the Participant Authority with written notice of such regulatory violation within 30 days after the Responsible Authority receives written notice of the violation, and (ii) is authorized to litigate, arbitrate, settle, or otherwise resolve any such regulatory violation in any manner determined appropriate by the Responsible Authority. A Responsible Authority's failure to provide the notice required by "(i)" in the preceding sentence shall not void any obligation of the Participant Authority's to pay its share of the regulatory violation.

(c) **Liability for Third Party Claims.** Liability for expenses or costs resulting from claims made by a third party in connection with a Joint Facility shall be shared by the Authorities based on their Pro Rata Shares in the affected Joint Facility at the time of the occurrence of the event which is the basis of the claim; provided, however, that if liability results from the gross negligence or intentional misconduct by either Authority, such Authority shall be solely responsible to the extent any loss is caused by its gross negligence or intentional misconduct. The Responsible Authority for the affected Joint Facility: (i) shall provide the Participant Authority with written notice of such third party claim within 30 days after the Responsible Authority receives written notice of the claim, and (ii) is authorized to litigate, arbitrate, settle, or otherwise resolve any such claim made by a third party in any manner determined appropriate by the Responsible Authority. A Responsible Authority's failure to

provide the notice required by "(i)" in the preceding sentence shall not void any obligation of the Participant Authority's to pay its share of the third party claim.

(d) **Application.** If the event that forms the basis for the violation (with respect to Section 5.3(b)) or the third party claim (with respect to Section 5.3(c)) occurs during the time this Agreement is in effect, then the provisions of this Section 5.3 shall apply, regardless of whether the applicable Joint Facility has (or has not) been constructed. The provisions of this Section 5.3 shall survive the expiration or termination of this Agreement.

Section 5.4. Agreement to Pay Operation and Maintenance Expenses. In consideration of the mutual benefits to be derived from the operation and maintenance of the Joint Facilities, the Authorities agree that each shall pay, at the time and in the manner established in this Agreement, their respective shares of Operation and Maintenance Expenses.

To properly determine the amount of Water received by each Authority through the Joint Facilities, each Responsible Authority shall (as a Construction Cost of the applicable Joint Facility) install Joint Facility Meters at locations Q1, Q2, Q3, Q4, Q6, and Q10 shown on Exhibit D. Notwithstanding any provision of this Agreement, the Engineering Costs, Construction Costs and Operation and Maintenance Expenses for the I10 Meter Station and Mission Bend Meter Station shall be shared by the Authorities based on their respective Pro Rata Shares of the Second Source Waterline Segment 1 set forth in Exhibit A (as revised pursuant to Section 4.1).

Upon request from either Authority, the Authorities shall monthly provide each other with all meter reading information from meters (Joint Facilities Meters or otherwise (including meters that serve only one Authority or only one Authority's customers)) that are owned or operated by an Authority to enable the Authorities to properly determine the allocation of Water used by each Authority (and any lost Water) on a monthly basis at the Joint Facilities.

Section 5.5. Allocation of Operation and Maintenance Expenses. Except as provided elsewhere in this Agreement, the Responsible Authority for any Joint Facility shall allocate Operation and Maintenance Expenses for a Joint Facility between the Authorities for payment as follows:

- (a) For any Operation and Maintenance Expenses incurred prior to a Joint Facility going into service, the Responsible Authority shall allocate Operation and Maintenance Expenses based on each Authority's Pro Rata Share in the applicable Joint Facility; provided, however, for purposes of this sentence only, each Authority's Pro Rata Share of the Second Source Waterline shall be its Pro Rata Share of the Second Source Waterline Segment 1 set forth in Exhibit A (as revised pursuant to Section 4.1).
- (b) For Operation and Maintenance Expenses incurred after a Joint Facility is in service, each Authority shall pay a fraction of the monthly Operation and Maintenance Expenses, the numerator of which fraction shall be the total amount of Water received through the Joint Facility by such Authority for the calendar month and the denominator of which fraction shall be the total amount of Water received at the Joint Facility for the same calendar month. The Responsible Authority shall be responsible to reasonably determine the

amount of Water received by each Authority through the Joint Facility and the total amount of Water received at the Joint Facility based on data available from the Joint Facilities Meters, or other meters, set forth in Section 5.4. The term "received" in this paragraph shall include: (i) Water actually received, and (ii) lost Water calculated pursuant to the formulas set forth in Exhibit D. Lost Water from flushing or line breaks in facilities that are not Joint Facilities shall be borne by the Authority that owns such facilities.

Each month, the Responsible Authority shall provide a bill to each Authority for its respective share of the actual expenditures made from the applicable Joint Facilities Account (defined below) during the preceding month, as such expenditures are reflected on the Monthly Joint Facilities Account Report. The monthly bill to each Authority shall include a breakdown of Operation and Maintenance Expenses by category and an allocation of the total Operation and Maintenance Expenses for the month between the Authorities. The Responsible Authority shall bill itself for its share of Operation and Maintenance Expenses, as described in this Section, in the same manner as the Participant Authority is billed. The Responsible Authority shall promptly pay all vendors and other parties providing services and supplies for the Joint Facilities for which it is responsible.

The list of waterlines used for the formulas on Exhibit D that include length and diameter of waterlines shall be updated annually to account for additional waterlines that an Authority may have constructed during the prior year. If the location of any of the Joint Facilities Meters shown on Exhibit D is modified, the Authorities shall amend the Agreement to include revised formulas that are consistent with the cost-sharing method of the formulas set forth in Exhibit D.

Section 5.6. Joint Facilities Account. The Responsible Authority shall establish a separate joint facilities account (the "Joint Facilities Account") for any Joint Facility for which it is responsible, which account shall be managed by the Responsible Authority. All funds received in payment of Operation and Maintenance Expenses for a Joint Facility shall be placed in a Joint Facilities Account, and all Operation and Maintenance Expenses shall be paid from the Joint Facilities Account. Funds in the Joint Facilities Account shall only be applied to payment of Operation and Maintenance Expenses for the applicable Joint Facility and shall be kept separate from any other funds owned or managed by the Responsible Authority. Funds in a Joint Facilities Account may be invested by the Responsible Authority and shall be continuously secured as required by the laws of the State of Texas applicable to the Authorities, as such laws may be amended from time to time. The Responsible Authority shall maintain a monthly accounting of all revenues to and expenditures from a Joint Facilities Account, which accounting shall be provided to the Authorities each month in the form of a written report (the "Monthly Joint Facilities Account Report"). The Responsible Authority is expressly authorized to enter into agreement(s) with any qualified bookkeeper to maintain the financial records of a Joint Facilities Account.

Section 5.7. Funding the Joint Facilities Account.

(a) **Initial Deposit.** In order to establish an initial balance in a Joint Facilities Account with which to pay Operation and Maintenance Expenses for a Joint Facility, the Responsible Authority and the Participant Authority shall each provide initial deposits to the

Joint Facilities Account so that the initial balance in the account is equal to one-fourth (1/4th) of the annual budget prepared for the Joint Facility in accordance with Section 5.11 below. The Responsible Authority shall calculate each Authority's initial deposit amount by multiplying the dollar amount of said one-fourth (1/4th) by each Authority's Pro Rata Share in the applicable Joint Facility. The Responsible Authority shall invoice itself and the Participant Authority for the initial deposit amount, as described in this subsection (a), and the payment shall be due within 40 days after receipt.

(b) **Deposit Accounting.** The Responsible Authority shall separately account for the deposit received from each Authority. To the extent that interest or earnings accrue to an Authority's deposit amount, the Responsible Authority shall report such increase in the Monthly Joint Facilities Account Report.

(c) **Deposit Adjustment.** If the Responsible Authority determines, from time to time, that the collective amount of the Authorities' individual deposits should be increased, for timely payment of Operation and Maintenance Expenses, or decreased, if unnecessary surplus funds accumulate, the Responsible Authority shall either invoice each Authority for an additional amount, which shall be for each Authority's share of such increase based upon their respective shares of the initial deposit described in subsection (a) of this Section, or shall reimburse each Authority for its share of the surplus amount, on the same basis. Any invoice submitted to the Authorities under this subsection (c) shall be due and payable within 40 days after receipt.

Section 5.8. Billing. Each month, the Responsible Authority shall prepare a written invoice to both Authorities to bill them for their respective shares of Operation and Maintenance Expenses calculated in accordance with the provisions of this Article V that were paid from the Joint Facilities Account in the prior month and shall submit such invoices to the Authorities. Such invoices shall be due and payable 40 days after receipt.

Section 5.9. Payment. The Authorities shall make all payments under this Article V when due to the Responsible Authority and the Authorities shall make payment at the office of the bookkeeper for the Responsible Authority or at such other place as the Responsible Authority may from time to time designate by sixty (60) days prior written notice. An Authority's failure to timely submit payment under this Article V shall constitute a delinquency in payment and shall be handled in accordance with Section 11.1.

Section 5.10. Covenant to Maintain Sufficient Income. Each Authority recognizes its duty to, and covenants and agrees that, at all times it shall establish and maintain, and from time to time adjust, the rates, fees, and charges for its services to its customers, to the end that the gross revenues and funds received from such rates, fees, and charges and any other lawfully available funds shall be sufficient at all times to pay the Authority's share of the Operation and Maintenance Expenses and any other charges (including, without limitation, Engineering Costs, Construction Costs, and Annual Debt Service Payments) due under this Agreement.

Section 5.11. Annual Budget. In order to allow the Authorities to effectively plan from year to year during the time that a Joint Facility is in service, the Responsible Authority shall annually prepare an operating budget for a Joint Facility for the ensuing fiscal year; provided, however, for the first year that the Responsible Authority implements the budget, the budget

may apply only to a partial year. Before adopting a Joint Facilities budget, the Responsible Authority shall provide a draft of the Joint Facilities operating budget to the Participant Authority for review and comment at least 90 days prior to the beginning of the ensuing fiscal year; provided, however, for the first year that the budget is implemented, the Responsible Authority may provide the draft at least 90 days prior to the date the Responsible Authority intends to adopt the budget. The annual operating budget shall include all maintenance, repair, and rehabilitation work for the applicable Joint Facility (other than Major Rehabilitations) that is necessary for the continued efficient operation. The Participant Authority shall have 35 days from receipt of the draft Joint Facility operating budget to submit comments to the Responsible Authority. If the Participant Authority objects to the proposed budget, it shall submit to the Responsible Authority within such 35 day period a list of line items to which it objects and the reasons for such objections. Thereafter, each Authority shall reasonably consider the position of the other Authority and negotiate in good faith to address the objections for an additional 25 days. If the Authorities do not agree to the budget within such 25 day period, the Responsible Authority shall have the right to make a final decision regarding the final Joint Facility operating budget.

Section 5.12. Major Rehabilitations. (a) The Responsible Authority shall determine, in its reasonable judgment, whether a Major Rehabilitation is required in order to operate and maintain a Joint Facility for which it is responsible in accordance with the standard described in the first sentence of Section 5.1.

(b) Upon its determination that a Major Rehabilitation must be made, the Responsible Authority shall cause the Responsible Authority Engineer to prepare a detailed description of the work to be undertaken (the "Work") and the estimated cost to have such Work performed, including engineering, construction, and contingencies (the "Rehab Cost"). The Responsible Authority shall provide the Work description and the estimated Rehab Cost information to the Participant Authority for review and comment.

(c) The Participant Authority shall have 35 days from receipt to provide comments to the Responsible Authority upon the Work description and the Rehab Cost information. The Responsible Authority shall carefully consider any comments or objections received from the Participant Authority regarding the proposed Work or the estimated Rehab Cost and the Authorities shall attempt to resolve any differences. After such consideration and attempts, the Responsible Authority shall have the right to make a final decision regarding the Work to be performed.

(d) The Responsible Authority shall invoice itself and the Participant Authority for the estimated Rehab Costs based upon each Authority's respective Pro Rata Share of the Joint Facility or Facilities that are the subject of the Work. Such invoices shall be due and payable within 40 days of receipt. The Responsible Authority shall deposit the Authorities' payments into a Joint Facilities Account and shall separately account for such deposits. The deposits shall only be applied to the Rehab Costs. In the event the Responsible Authority determines that such deposits, and interest accrued thereon, are insufficient to pay for the Work, the Responsible Authority shall from time to time cause a new estimate of the Rehab Cost to be prepared and shall invoice both Authorities for the amount of additional funds reasonably needed to complete the project, which invoices shall be due 40 days after receipt. The

Responsible Authority shall cause its bookkeeper to provide monthly written reports of the application of the Authorities' deposits to the Rehab Costs and of interest earnings on such deposits.

(e) An Authority's failure to timely pay the invoice for its Pro Rata Share of the Rehab Costs shall constitute a delinquency in payment and shall be handled in accordance with Section 11.1.

(f) The Responsible Authority shall cause the Work to be performed in accordance with the applicable competitive bidding laws and in full compliance with the rules and regulations of the TCEQ and any other agencies having jurisdiction. Within 60 days after completion and final acceptance of the Work, the Responsible Authority shall cause its bookkeeper to provide all relevant financial information to an independent accounting firm for preparation of a final report confirming the total, actual Rehab Cost (the "Rehab Final Accounting"), which accounting shall include the cost of such final report. The Rehab Final Accounting shall be provided to the Authorities within 135 days after completion and final acceptance of the Work. The Rehab Final Accounting shall state the difference between the estimated Rehab Cost and the actual Rehab Cost, and the amount of any underpayment or overpayment made by the Authorities, taking into account any interest earnings on the deposit of funds made by the Authorities. If the actual Rehab Cost, as determined by the Rehab Final Accounting, is more than the estimated Rehab Cost, the Authorities shall pay their respective Pro Rata Shares of the shortfall. The Responsible Authority shall invoice the Participant Authority for its Pro Rata Share of the shortfall, which invoice shall be due within 40 days of receipt. If the actual Rehab Cost, as determined by the Rehab Final Accounting, is less than the estimated Rehab Cost, resulting in an overpayment by the Authorities, the Responsible Authority shall pay the Participant Authority its Pro Rata Share of the overpayment within 40 days of the Responsible Authority's receipt of the Rehab Final Accounting.

(g) If the Responsible Authority determines that adequate funds are available in the applicable Joint Facilities Account to pay for the costs of the Major Rehabilitation, the Responsible Authority may utilize such funds for the Major Rehabilitation in lieu of the invoicing procedure set forth in subsections (d) and (f) of this Section; provided, however, if the Responsible Authority uses funds in the Joint Facilities Account for such purpose, the costs of the Major Rehabilitation shall continue to be shared based upon each Authority's respective Pro Rata Share of the Joint Facilities as set forth in subsection (d) of this Section.

(h) Notwithstanding the provisions of this Section, the Responsible Authority may reasonably shorten the comment period set forth in subsection (c) and the invoicing periods set forth in subsections (d) and (f) of this Section and may proceed with a Major Rehabilitation immediately if: (A) the Responsible Authority determines that either (i) the Major Rehabilitation is necessary to protect public health and safety or to prevent unreasonable economic loss, or (ii) the condition or situation necessitating the Major Rehabilitation requires immediate action; and (B) the Responsible Authority Engineer issues to the Participant Authority a written opinion in support of said "(i)" or "(ii)".

Section 5.13. Capital Facilities Replacement. The Authorities shall establish a capital replacement account for each Joint Facility. The amount and timing of funding of this account

shall be mutually agreed to in writing by the Authorities after receiving feedback on this topic from the Joint Facilities Committee described in Article VI based on a study to be conducted by the Fort Bend Authority Engineer and the West Authority Engineer.

Section 5.14. Separate Facilities. Notwithstanding any provision of this Agreement, neither the Fort Bend Authority nor the West Authority shall have any obligation to share any costs or responsibilities for an Authority's separate facilities or property that are not the subject of this Agreement.

Section 5.15. Liability Insurance/Indemnity and Property/Boiler Machinery Insurance. With respect to each construction contractor for the Bellaire Pump Station or Second Source Waterline, design engineer, or operator (collectively, a "Consultant/Contractor") that hereafter performs work on any Joint Facility, the Responsible Authority for the Joint Facility for which it is responsible shall, within 90 days after the Effective Date, cause each Consultant/Contractor to agree in writing: (i) to carry liability insurance that names both Authorities as an "additional insured," and (ii) to defend and indemnify both Authorities for the negligence of such Consultant/Contractor.

The Responsible Authority shall keep insured such parts of the Joint Facility for which it is responsible as are customarily insured against by political subdivisions of the State of Texas operating like properties in similar locations under the same circumstances with a responsible insurance company or companies against losses, and to the extent customarily insured against by such political subdivisions, and to the extent such insurance is reasonably available. Notwithstanding the preceding sentence, a Responsible Authority shall not be required to carry insurance: (i) for a Joint Facility while any contractor engaged in the construction work of such Joint Facility is fully responsible for the Joint Facility or (ii) for underground water lines or appurtenances to such water lines. In the event of the Responsible Authority's failure to obtain and maintain the insurance required by this Section, the Participant Authority shall have the right but not the obligation to purchase such required insurance and thereafter receive credit for any premiums so paid against bills for Operation and Maintenance Expenses received from the Responsible Authority. All net proceeds of such insurance shall be applied to repair or replace the insured property that is damaged or destroyed. All such insurance policies shall be open to inspection of the Participant Authority and its representatives at all reasonable times.

Section 5.16. Sale/Disposal of/Encumbrance of Joint Facilities or Realty Interests. Since the cost of the Joint Facilities and the Realty Interests will be shared by both Authorities pursuant to the terms of this Agreement, neither Authority shall sell, dispose of or encumber the Joint Facilities or Realty Interests as a whole or any portion thereof without first: (i) making a written determination that the Joint Facilities or Realty Interests that are intended to be sold, disposed of, or encumbered are surplus and are not needed for the efficient operation of the applicable Joint Facility(ies); and (ii) obtaining from the other Authority a written consent wherein the other Authority consents to the determination provided in "(i)" above (which consent will not be unreasonably withheld or delayed). The Authorities hereby consent and agree that the Realty Interests included in the right-of-way designated on Exhibit A as "Surplus Right of Way" are deemed surplus and are not needed for the efficient operation of any Joint Facilities and therefore the procedure required by the preceding sentence is not required for the

West Authority to sell, dispose of or encumber such Realty Interests. Notwithstanding the first sentence of this paragraph, a Responsible Authority may sell or dispose of any obsolete, worn out or surplus personal property or equipment that are no longer needed by that Responsible Authority for efficient operation of the applicable Joint Facility, as determined by the reasonable judgment of that Responsible Authority. The proceeds from any sale, disposal, or encumbrance occurring pursuant to the this paragraph shall be shared by the Authorities according to their Pro Rata Share of the Joint Facilities or Realty Interests that were sold, disposed of, or encumbered. This Section shall in no way prohibit an Authority from selling, disposing of, or encumbering real or personal property that is not the subject of a cost-sharing arrangement under the terms of this Agreement.

Section 5.17. Title to and Responsibility for Water. With respect to connection(s) between a Joint Facility and a Participant Authority's Distribution System, title to, possession, and control of Water shall remain with the Responsible Authority until it passes through the Point of Delivery on the Participant Authority's Distribution System, where title to, possession, and control of the Water shall pass from the Responsible Authority to the Participant Authority. With respect to connection(s) between a Joint Facility where one Authority is the Responsibility Authority ("Initial Responsible Authority") and a Joint Facility where the other Authority is the Responsible Authority ("Subsequent Responsible Authority"), title to, possession, and control of Water shall remain with the Initial Responsible Authority until it passes through the connection, where title to, possession, and control of the Water shall pass from the Initial Responsible Authority to the Subsequent Responsible Authority.

Article VI **Joint Facilities Committee**

Section 6.1. Purpose. The purpose of the Committee is to provide a forum for representatives from both Authorities to meet on a routine basis to review and plan for the operations and improvements of the Joint Facilities, and any other matters pertaining to the Joint Facilities.

Section 6.2. Membership. Each Authority shall appoint two of its directors to serve on the Committee and may appoint another director as an alternate representative in the event of the unavailability of either or both of its primary representatives. The Committee membership shall be comprised of these two appointed directors from each Authority.

Section 6.3. Meetings. The Committee shall meet at least once a quarter, to the extent practicable. A simple majority of the Committee members shall constitute a quorum. Each Authority, or a Committee member representing an Authority, may invite others to attend committee meetings, including, without limitation, other Authority directors or the Authorities' engineers and operators.

Section 6.4. Costs. Each Authority's costs in connection with Committee meetings (including, without limitation, costs of its directors or consultant(s) to prepare for or attend the Committee meetings) shall be borne by that Authority.

Section 6.5. Scope. The Committee may review and discuss all aspects of the Joint Facilities, including, but not limited to financial, budget, design, construction, operational, repair, and maintenance issues regarding the Joint Facilities.

Section 6.6. Activation. The Committee shall not be organized or take any action until either Authority requests in writing to the other Authority that the Committee organize itself and become operational. The Authorities agree to cause the first meeting of the Committee to occur within 60 days of such written request.

Article VII **Lease of Capacity**

Section 7.1. General Statement. The West Authority's initial Pro Rata Share of the Upstream Portion of Segment 0 is zero. Under the Fort Bend Contract, the Fort Bend Authority purchased 19.5 MGD of capacity in the Fort Bend Contract Facilities. The West Authority may, at its option, seek water supply and transmission capacity in such Houston facilities, and in the Upstream Portion of Segment 0, for an interim period in order to serve certain future West Authority customers located near Segment 1A. The Fort Bend Authority is willing to lease a portion of its capacity in the Fort Bend Contract Facilities, and in the Upstream Portion of Segment 0, to the West Authority on the terms and conditions of this Article VII.

Section 7.2. Houston Consent. The Authorities acknowledge and understand that before they may initiate the lease described in this Article VII, the Utility Official must consent in writing to the Fort Bend Authority's sale of water to the West Authority pursuant to the lease. The Fort Bend Authority has obtained such written consent from the Utility Official by letter dated November 22, 2010, from the Fort Bend Authority and executed by the Utility Official on December 8, 2010.

Section 7.3. Capacity. The West Authority acknowledges that no capacity in such Houston facilities will be available for lease by the Fort Bend Authority to the West Authority until the Bellaire Pump Station, Phase 1 construction is complete and has been accepted by the Fort Bend Authority, as described in Section 3.6. Subject to the terms and conditions of this Article VII, the Fort Bend Authority hereby agrees to and shall lease an amount of 2.3 MGD peak rate/1.6 MGD non-peak rate of Water to the West Authority (the "Lease") out of: (i) the Fort Bend Authority's 19.5 MGD of capacity in such Houston facilities, and (ii) the Upstream Portion of Segment 0. The West Authority shall be entitled to receive Water under the Lease via its capacity in the Bellaire Pump Station, Phase 1, the Downstream Portion of Segment 0, and Segment 1A.

Section 7.4 Initiation. At any time after completion and final acceptance of the Bellaire Pump Station, Phase 1, Segment 0, and Segment 1A by the Fort Bend Authority, but no later than July 1, 2014, the West Authority may, at its option, initiate the Lease by providing 60 days prior written notice to the Fort Bend Authority of the West Authority's desire to initiate the Lease.

Section 7.5. Price and Payment. The West Authority shall pay the Fort Bend Authority for the leased Water at the Lease Rate. The Fort Bend Authority shall invoice the West Authority on a monthly basis based upon the amount of leased Water, if any, that is received by the West Authority during the prior month, as measured by the applicable meters. Such invoice shall be due and payable within 40 days of receipt by the West Authority. Delinquent or failed payments shall be handled in accordance with the provisions of Section 11.1. With respect to the Water, if any, received pursuant to the Lease, the West Authority shall also be responsible to pay its share of Operation and Maintenance Expenses for the Bellaire Pump Station, Segment 1A, and Downstream Portion of Segment 0, pursuant to Article V of this Agreement. In connection with the "true-up" of payments for O&M Expenses under the Fort Bend Contract: (i) if the Fort Bend Authority receives a credit from Houston for overpayment, the Fort Bend Authority shall within 40 days of receiving the credit pay the West Authority the portion of such credit (including any interest included by Houston in the credit) that is attributable to leased Water received by the West Authority; (ii) if the Fort Bend Authority receives a charge from Houston for underpayment, the Fort Bend Authority shall invoice the West Authority the portion of such charge (including any interest included by Houston in the charge) that is attributable to leased Water received by the West Authority, which invoice will be due within 40 days of receipt.

Section 7.6. Termination. The West Authority acknowledges and understands that the Fort Bend Authority will require the Water capacity that is subject to the Lease at some point in the future, currently estimated to be 2016 or 2017. Whenever the Fort Bend Authority identifies the point in the future when it will require the use of the Water capacity that is subject to the Lease, the Fort Bend Authority shall give the West Authority no less than 1 year prior written notice of the termination of the Lease. After the Fort Bend Authority has provided the West Authority the notice of termination required above, the Authorities agree to work cooperatively to establish a mutually acceptable date and process by which the West Authority will stop receiving Water pursuant to the Lease. Notwithstanding any provision hereof, if the Fort Bend Authority acquires from Houston additional Water capacity (in excess of its current 19.5 MGD) in the Fort Bend Contract Facilities, the Fort Bend Authority will not terminate the Lease with respect to such additional capacity until the Second Source Waterline is completed and delivering Water into either Segment 0 or the Bellaire Pump Station. For example, if the Fort Bend Authority acquires from Houston 2 MGD of additional Water capacity (for a total of 21.5 MGD) in the Fort Bend Contract Facilities, the Fort Bend Authority will not terminate the Lease with respect to such 2 MGD until the Second Source Waterline is completed and delivering Water into either Segment 0 or the Bellaire Pump Station.

Section 7.7. Additional Capacity. If the Fort Bend Authority determines, in its sole discretion and best interests, that it has available, unused Water capacity under the Fort Bend Contract, in addition to the capacity subject to the Lease, the Fort Bend Authority shall notify the West Authority of such available Water capacity and the West Authority may lease some or all of such available Water capacity on the same terms as the Lease.

Section 7.8. Coordination. The Authorities, through the Committee, may hold periodic meetings to review Water capacities and needs and agree to cooperate and use their best efforts to avoid any interruption of Water delivered to the West Authority pursuant to the

Lease and to confirm the West Authority's ability to release the Water capacity timely after receipt of notice of termination.

Article VIII
Water Supply From Houston

Section 8.1. Provision of Water From Houston. The Authorities agree to receive Water from Houston through the Joint Facilities under the terms and conditions of the Authorities' respective Contracts, subject to any terms and conditions provided herein.

Section 8.2. No Right to Capacity. The Authorities agree and acknowledge that neither Authority shall be entitled to use any of the other Authority's Water Demand Allocation under the Contracts. For example, and without limiting the preceding sentence, an Authority is only entitled to receive Water out of the Second Source Waterline in an amount that does not exceed its Water Demand Allocation in Houston's Northeast Plant. Nothing in this paragraph shall be construed to limit the West Authority's right to lease Water from the Fort Bend Authority under the terms of Article VII hereof.

Section 8.3. Water Reservations. Pursuant to the terms of the Contracts, either Authority may submit Reservation(s) to Houston for the amount(s) of Water desired by such Authority. At least 45 days (unless a shorter period is agreed to by the West Authority Official or Fort Bend Authority Official, as applicable) prior to submitting a Reservation to Houston under the applicable Contract, each Authority shall notify the other Authority in writing of its intent to make such Reservation (including the amount, in MGD, of such intended Reservation) so that the other Authority may review such Reservation and determine when and if it would like to submit its own Reservation to Houston. However, failure to comply with the preceding sentence shall in no way void an Authority's Reservation. Neither Authority shall prohibit or prevent the other Authority from making a Reservation; provided, however, the Authorities acknowledge that it is in the best interests of the Authorities to coordinate their Reservations, to the extent practicable. When Houston grants a Reservation under a Contract, the Authority that is a party to that Contract shall make any and all payments of capital costs attributable to said Reservation directly to Houston to the extent and in the manner provided for in the applicable Contract.

If the West Authority seeks Water capacity in any Fort Bend Contract Transmission Facilities ("Transmission Capacity"), it shall first give the Fort Bend Authority the opportunity to acquire the Transmission Capacity by complying with the procedures described hereafter in this paragraph. First, with respect to the Transmission Capacity it seeks, the West Authority shall provide the Fort Bend Authority the written notice required by the second sentence of the preceding paragraph ("Transmission Capacity Notice"). Thereafter, the West Authority shall refrain from sending a Reservation to Houston for the Transmission Capacity if, during the 45 day period described in the preceding paragraph, the Fort Bend Authority: (i) submits a Reservation to Houston (with a copy to the West Authority) for an amount, in MGD, that is no less than the Transmission Capacity described in the Transmission Capacity Notice; and (ii)

provides the West Authority with a written statement that the Fort Bend Authority will pay Houston for such Fort Bend Authority Reservation if the Utility Official gives written consent to such Reservation. If "(i)" or "(ii)" of the preceding sentence do not occur within the required 45 day period, or if the Fort Bend Authority fails to pay Houston the full amount of such Reservation within the applicable 60 day period set forth in the second paragraph of Section 3.03 of the Fort Bend Contract, then the West Authority may send a Reservation to Houston for the Transmission Capacity described in the Transmission Capacity Notice and may purchase same. All of the foregoing provisions in this paragraph shall automatically terminate, and be of no force and effect, upon the earlier of: (i) January 1, 2026; or (ii) the date the Second Source Waterline is completed and delivering Water into either Segment 0 or the Bellaire Pump Station.

Nothing in the preceding paragraph shall be construed to limit or restrict in any way the West Authority from making Reservation(s) for, or purchase(s) of, Water capacity in: (i) Houston's East Water Plant or Houston's Northeast Water Plant; (ii) any of Houston's Water transmission facilities in which the West Authority has heretofore acquired Water capacity pursuant to the West Contract; or (iii) any of Houston's Water transmission facilities, except for the Fort Bend Contract Transmission Facilities.

Section 8.4. Payments for O&M Expenses to Houston. The West Authority, in its capacity as Responsible Authority and using funds in the Joint Facilities Account held by the West Authority, shall make all payments of O&M Expenses due to Houston for the Water received from Houston into the Second Source Waterline. The payments to Houston for O&M Expenses that are attributable to Water lost in or along Joint Facility(ies) are shared by the Authorities pursuant to Section 5.5(b).

Article IX

Water Supply Reductions and Measuring Equipment

Section 9.1. Water From Houston. If Houston is unable to deliver Water to the Authorities at a Joint Facility in the capacities agreed to in the West Contract and the Fort Bend Contract, the reduction in Water received by the Authorities shall be allocated between the Authorities in proportion to each Authority's average daily usage at the affected Joint Facility during the 60 days immediately preceding the reduction, as reasonably determined by the Responsible Authority Engineer. Notwithstanding the previous sentence, if an Authority determines that it is not at risk of violating subsidence district groundwater reduction requirements and determines that its customers have adequate water supply through other means, the Authority may, at its sole discretion, allow the other Authority to receive more Water than the other Authority would be entitled to under the preceding sentence. This Section only applies to Water received by an Authority through an affected Joint Facility and shall not apply to: (i) Water received by the Authorities at another Joint Facility that is not affected by water supply reductions from Houston, or (ii) non-Joint Facilities (for example, Water delivered by Houston to the West Authority at its Pump Station No. 1 located at 7215 Harms Road, Houston, Texas 77041).

Section 9.2. Due to Joint Facility Malfunction or Failure. The Responsible Authority shall immediately notify the Participant Authority of any failure or malfunction at a Joint Facility that poses health and safety issues or causes Water supply interruptions at any Joint Facility. If there is a reduction in Water in the Joint Facility because of a failure or

malfunction of the Joint Facility, such reduction shall be shared by the Authorities in proportion to each Authority's average daily usage at the affected Joint Facility during the 60 days immediately preceding the reduction, as reasonably determined by the Responsible Authority Engineer. The preceding sentence only applies to Water received by an Authority through an affected Joint Facility and shall not apply to: (i) Water received by the Authorities at another Joint Facility that is not affected by water supply reductions due to a failure or malfunction of the affected Joint Facility, or (ii) non-Joint Facilities (for example, Water delivered by Houston to the West Authority at its Pump Station No. 1 located at 7215 Harms Road, Houston, Texas 77041).

Section 9.3. Measuring Equipment. The Joint Facility Meters installed by the Responsible Authority shall be properly equipped with meters and devices of standard type for measuring accurately the quantity of Water delivered under this Agreement, with ability to measure the quantity of Water delivered within the accuracy tolerance of 2%. During any reasonable hours, both Authorities shall have access to the Joint Facility Meters, and any other meters of either Authority, and to all records pertinent to determining the measurement and quantity of Water actually delivered. The reading of the Joint Facility Meter(s) for purposes of the calculation of any payment due to a Responsible Authority under this Agreement shall be done by the Responsible Authority.

Section 9.4. Testing of Meters. The Responsible Authority shall maintain the Responsible Authority's Joint Facility Meters within the accuracy tolerance specified in Section 9.3 by periodic tests. As an Operation and Maintenance Expense, the Responsible Authority shall conduct such tests at least once every 12 months. If the Participant Authority requests an additional test within 12 months, the Responsible Authority shall charge the Participant Authority an amount equal to the cost to perform such test, unless the test reveals that the equipment registers greater than 102% or less than 95% for a given flow rate, in which case the cost of the test shall be considered an Operation and Maintenance Expense. In addition, the Participant Authority shall have the right to independently check, at its own cost, said Joint Facility Meters at any time upon 48 hours written notification to the Responsible Authority, providing the opportunity for the Responsible Authority to witness such tests.

Section 9.5. Results of Meter Tests. Should the test of the Joint Facility Meters in question show that the equipment registers either more than 102% or less than 95% of the Water delivered for a given flow rate, the total quantity of Water delivered to the Participant Authority will be deemed to be the average daily consumption as measured by the Joint Facility Meters when in working order, and the Joint Facility Meters shall be calibrated to the manufacturer's specifications (in the case of Venturi meters) or the AWWA specifications (for all other types of meters) for the given rate of flow, or replaced by the Responsible Authority with an accurate Joint Facility Meter that is tested before it is placed in service. This adjustment shall be for a period extending back to the time when the inaccuracy began, if such time is ascertainable; and if such time is not ascertainable, for a period extending back to the last test of the Joint Facility Meter or 120 days, whichever is shorter. As used in this paragraph, the expression "given rate of flow" means one of the following selected by the Responsible Authority for each calibration or test: (i) the total quantity of Water delivered during the preceding period (usually a calendar month) as reflected by the totalizer, converted to gallons

per minute; (ii) high, low, and intermediate rates of flow in the flow range, as reflected by the flow recording devices; or (iii) AWWA-specified test flow rates for that size and type of meter.

Section 9.6. Disputes as to Testing. In the event of a dispute between the Participant Authority and the Responsible Authority as to the accuracy of the testing equipment used by Responsible Authority to conduct the accuracy test, an independent check may be mutually agreed upon between the Authorities to be conducted by an independent measuring equipment company suitable to both Authorities. The cost of such test will be at the Participant Authority's expense. The Responsible Authority shall accept the test results of the independent measuring equipment company, provided that the calibration procedure and test equipment are mutually agreeable to both Authorities.

Article X **TWDB Financing**

Section 10.1. TWDB Financing. If authorized by the TWDB, the West Authority intends to issue the First Series of WIF Bonds to the TWDB no later than December 31, 2012, to pay for a portion of the Second Source Waterline Realty Costs and/or Second Source Waterline Engineering Costs. The West Authority makes no representation whether it will issue the First Series of WIF Bonds or any other bonds to the TWDB. The provisions of this Section shall be effective only if the West Authority issues the First Series of WIF Bonds by December 31, 2012.

After paying for issuance costs and establishing any necessary reserve fund requirements, the West Authority shall apply the proceeds received by the West Authority from the First Series of WIF Bonds to the Second Source Waterline Realty Costs and/or Second Source Waterline Engineering Costs. After the Effective Date, when the West Authority calculates payments due from each Authority for each Authority's Pro Rata Share of the Second Source Waterline Realty Costs and/or Second Source Waterline Engineering Costs, the West Authority shall take into account the proceeds, if any, received by the West Authority from the First Series of WIF Bonds. If the West Authority uses proceeds of the First Series of WIF Bonds to reimburse its Improvement Fund for costs paid for Incurred Second Source Waterline Realty Costs, the Fort Bend Authority shall, within 40 days of receipt of an invoice, pay the West Authority interest on the portion of the costs reimbursed to the Improvement Fund that are attributable to the Fort Bend Authority, which portion shall be calculated by multiplying the Fort Bend Authority's Pro Rata Share of the Second Source Waterline Segment 1 set forth in **Exhibit A** times the amount reimbursed to the Improvement Fund. The interest rate that shall apply to the calculation in the preceding sentence shall be the TexStar Interest Rate and interest shall run from the date(s) the costs were paid from the Improvement Fund until the date the Improvement Fund is reimbursed with First Series WIF Bonds.

For the Fort Bend Authority's share of the debt service on the First Series of WIF Bonds, the Fort Bend Authority shall pay the West Authority the Annual Debt Service Payment as described below:

Annual Debt Service Payment =

The Fort Bend Authority's Pro Rata Share of the Second Source Waterline Segment 1 set forth in Exhibit A (as revised pursuant to Section 4.1). (Such Exhibit A currently shows the Fort Bend Authority's Pro Rata Share of the Second Source Waterline Segment 1 as 40.4%.)

x

The Annual Outstanding Debt Service for the First Series of WIF Bonds as of the first day of the West Authority fiscal year in which the West Authority calculates the Annual Debt Service Payment. (The Annual Debt Service Payment shall equal zero for any West Authority fiscal year in which the Annual Outstanding Debt Service is zero.)

The term "Annual Outstanding Debt Service" shall mean the amount of debt service (principal and interest) actually owed by the West Authority during a West Authority fiscal year on the First Series of WIF Bonds. In determining the amount of principal and interest actually owed by the West Authority, the amount of any capitalized interest (and its interest earnings) attributable to the First Series of WIF Bonds and the amount of any debt service reserve fund (and its interest earnings) attributable to the First Series of WIF Bonds shall be taken into account. In connection with the interest earnings described in the preceding sentence that are attributable to the First Series of WIF Bonds, if rebate or yield reduction payments are due from the West Authority to the United States of America pursuant to the requirements of the Internal Revenue Code of 1986, as amended, or the Treasury Regulations promulgated thereunder, the West Authority shall be authorized to use proceeds out of such interest earnings to make such payments; and, if such proceeds are insufficient to make the necessary payment, then any shortfall may thereafter be included in the calculation of "Annual Outstanding Debt Service."

The First Series of WIF Bonds will have two (2) debt service payments in each West Authority fiscal year and, accordingly, the Annual Debt Service Payment will be divided into two (2) payments in each fiscal year; provided, however, the fiscal year in which the First Series of WIF Bonds are issued may have less than two (2) debt service payments. Starting no later than the West Authority fiscal year beginning January 1, 2012, and continuing for each fiscal year thereafter, the West Authority shall calculate, according to the formula above, the Fort Bend Authority's Annual Debt Service Payment and shall provide the Fort Bend Authority with a remittance letter (the "Annual Letter") within 60 days after the beginning of each fiscal year. The Annual Letter shall include for that fiscal year: (i) the calculation for the Fort Bend Authority's Annual Debt Service Payment; (ii) the calculation of the portion of Annual Outstanding Debt Service to be paid by the West Authority; and (iii) the dollar amounts, wiring instructions, and the remittance date ("Remittance Date") for each of the two portions of the Fort Bend Authority's Annual Debt Service Payment. Each of the two Remittance Dates shall be no more than 60 days prior to the date of the applicable actual debt service payment due from

the West Authority in each fiscal year. For any fiscal year in which the Annual Outstanding Debt Service is zero, the Annual Letter shall state that no payment is due from the Fort Bend Authority for such fiscal year. The Fort Bend Authority shall wire its Annual Debt Service Payment directly to the West Authority pursuant to the wiring instructions included in the Annual Letter on or before the Remittance Dates.

The West Authority shall maintain each Annual Debt Service Payment in an interest-bearing account, which interest (and any interest accrued on such interest) shall be credited by the West Authority against the Fort Bend Authority's next Annual Debt Service Payment. Each Annual Letter issued by the West Authority shall identify the amount of such interest credited to the Fort Bend Authority.

The West Authority shall use the Annual Debt Service Payments, and interest accrued thereon in the interest-bearing account described in the preceding paragraph, only for the purpose of paying Annual Outstanding Debt Service on the First Series of WIF Bonds.

The West Authority shall ensure that to the extent not required to pay rebate amounts to the United States, surplus or other remaining amounts of any reserve fund requirement associated with the First Series of WIF Bonds shall be applied upon the final maturities of principal of and interest on the First Series of WIF Bonds to pay principal of and interest then due, so that on final maturity of the First Series of WIF Bonds no balances will remain of any such reserve fund requirement.

An Authority's failure to timely submit payment under this Article X shall constitute a delinquency in payment and shall be handled in accordance with Section 11.1.

Section 10.2. Future TWDB Financing. If the West Authority, at its option, elects to issue additional bonds (other than the First Series of WIF Bonds) to the TWDB to finance Second Source Water Line Project Costs, the Authorities agree to negotiate in good faith to determine by separate written agreement a mutually agreeable cost-sharing arrangement for the debt service payments of such additional bonds that is consistent with the cost-sharing method and the procedure established in this Article for the First Series of WIF Bonds.

Article XI **Remedies and Term of Agreement**

Section 11.1. Remedies. (a) **Subchapter I, Chapter 271 Local Gov't Code.** The Authorities agree that this Agreement constitutes an agreement for the provision of goods and services and is subject to the provisions of the Subchapter I, Chapter 271, Texas Local Government Code, as amended, and any successor statute.

(b) **Default - General.** Default shall occur only in the event either Authority fails to adhere to its respective obligations hereunder. In such event, the non-defaulting Authority shall give the defaulting Authority: (i) written notice describing such default and the necessary cure therefor; and (ii) the opportunity to cure such default within no less than 40 days of receipt of such notice. If the default is cured within the specified time period to the satisfaction of the non-defaulting Authority, then no further action shall be taken by the non-defaulting Authority. If the default is not cured within the specified time period to the satisfaction of the non-

defaulting Authority, the non-defaulting Authority may initiate proceedings to pursue any available remedies existing at law or in equity. This subsection (b) shall not be considered as specifying the exclusive remedy or procedure for remedy for any default, and all remedies (except for termination of this Agreement) existing at law and in equity, including without limitation specific performance and mandamus, are to be available to either Authority. If the Authorities, at their option, agree to submit their dispute to non-binding mediation, such mediation may occur prior to either Authority filing suit for default under this Agreement.

(c) **Default - Delinquency in Payment.** If an Authority fails to pay any invoice or bill under this Agreement on or before its due date, the non-delinquent Authority may require the delinquent Authority to pay the non-delinquent Authority interest on the invoice or bill at the rate set forth in Chapter 2251, Texas Government Code, together with reasonable attorney's fees and collection costs incurred in the collection. If an Authority fails to pay any invoice or bill under this Agreement on or before its due date, the Responsible Authority (without having to comply with any of the terms of subsection (b), above) shall be authorized to provide the delinquent Authority at least 40 days written notice that the Responsible Authority intends to suspend the delivery of Water to the delinquent Authority, and if all delinquent invoices or bills remain unpaid after the expiration of said 40 days, the Responsible Authority may suspend delivery of Water until all delinquent bills and invoices have been paid in full.

(d) **Unconditional Obligation to Pay.** All payments (including, without limitation, Annual Debt Service Payments and payments for Operation and Maintenance Expenses) due from one Authority to the other Authority pursuant to this Agreement shall be made without set-off, counterclaim, abatement, suspension, or diminution. This Agreement shall not terminate, nor shall an Authority have any right to terminate this Agreement nor be entitled to the abatement of any such payment or any reduction thereof for any reason, including without limitation acts or conditions of the other Authority that might be considered failure of consideration, eviction or constructive eviction, destruction or damage to the Joint Facilities, failure of the other Authority to perform and observe any agreement, whether expressed or implied, or any duty, liability, or obligation arising out of or connected with this Agreement, it being the intention of the Authorities that all sums required to be paid by one Authority to the other Authority shall continue to be payable in all events and the obligations of the Authorities hereunder shall continue unaffected, unless the requirement to pay the same shall be reduced or terminated pursuant to an express provision of this Agreement.

If one Authority disputes the amount to be paid to the other Authority, the one Authority shall nonetheless promptly make payments as billed by (or otherwise due to) the other Authority, and if it is subsequently determined by agreement, regulatory decision, or court decision that such disputed payment should have been less, the other Authority will then make proper adjustments so that the one Authority will receive credit for its overpayments. Nothing contained in this subsection (d) shall be construed to release an Authority from performance of any of its obligations under this Agreement and in the event it shall fail to perform any such obligation, the other Authority may seek such relief under this Section as the other Authority deems necessary so long as same does not abrogate the other Authority's obligation to make payments (including, without limitation, Annual Debt Service Payments and payments for Operation and Maintenance Expenses) due to the defaulting Authority.

Section 11.2. Term. This Agreement shall commence on the date reflected on the first page hereof and shall expire at noon on January 1, 2080, unless terminated earlier pursuant to the mutual written consent of the Authorities.

At such time as the Agreement is no longer in force and effect, if requested in writing by the West Authority, the Fort Bend Authority agrees to continue to provide Water service to the West Authority through the Joint Facilities for which the Fort Bend Authority is responsible upon the payment of reasonable rates and charges by the West Authority which take into account the capital payments paid by the West Authority to the Fort Bend Authority pursuant to this Agreement (and any supplements or amendments thereto) and the West Authority's equitable interests in such Joint Facilities. Upon the date that this Agreement is no longer in force and effect, the West Authority will own the right to use its Pro Rata Share of capacity in such Joint Facilities as such Pro Rata Share existed immediately prior to such date. The two immediately preceding sentences shall survive the expiration or termination of this Agreement.

At such time as the Agreement is no longer in force and effect, if requested in writing by the Fort Bend Authority, the West Authority agrees to continue to provide Water service to the Fort Bend Authority through the Joint Facilities for which the West Authority is responsible upon the payment of reasonable rates and charges by the Fort Bend Authority which take into account the capital payments paid by the Fort Bend Authority to the West Authority pursuant to this Agreement (and any supplements or amendments thereto) and the Fort Bend Authority's equitable interests in such Joint Facilities. Upon the date that this Agreement is no longer in force and effect, the Fort Bend Authority will own the right to use its Pro Rata Share of capacity in such Joint Facilities as such Pro Rata Share existed immediately prior to such date. The two immediately preceding sentences shall survive the expiration or termination of this Agreement.

Article XII **General Provisions**

Section 12.1. Additional Joint Facilities. The Authorities acknowledge that it may be beneficial to them in the future to jointly construct one or more water mains that are not the subject of this Agreement. The Authorities agree to negotiate in good faith to determine by separate written agreement a mutually agreeable cost-sharing arrangement for such additional water mains that is consistent with the cost-sharing methods and the procedures established in this Agreement for the design, construction, acquisition, operation, maintenance, and repair of Joint Facilities. Notwithstanding the previous sentence, failure of the Authorities to reach a written agreement pursuant to the preceding sentence, shall not be considered a default or violation of this Agreement.

Section 12.2. No Liability for General Obligations. Nothing in this Agreement shall have the effect of causing either Authority to assume, guarantee, or become in any way liable upon any bond, warrant, indebtedness, or other obligation of the other Authority.

Section 12.3. Right of Entry. Each Authority shall have a right of entry at reasonable times and upon reasonable notice in, over, and across the lands, properties, and facilities comprising the Joint Facilities and Realty Interests for the purpose of making any inspections

permitted by this Agreement and for the purpose of performing any other functions or duties authorized by this Agreement.

Section 12.4. Confidentiality of Plans. Unless consented to in writing by the Fort Bend Authority Official and the Fort Bend Authority Engineer, and except to the extent required by law, the West Authority shall keep the plans and specifications for Segment 0, Segment 1A, and the Bellaire Pump Station confidential, except that the West Authority's directors, employees, agents and consultants may have access to same. Unless consented to in writing by the West Authority Official and the West Authority Engineer, and except to the extent required by law, the Fort Bend Authority shall keep the plans and specifications for the Second Source Waterline confidential, except that the Fort Bend Authority's directors, employees, agents and consultants may have access to same.

Section 12.5. Authority Sale of Water to Third Party. An Authority may sell Second Source Waterline Water to which it is entitled under this Agreement to a Third Party, subject to obtaining any necessary approvals from Houston and subject to the procedures set forth below in this paragraph; provided, however, the procedures set forth below in this paragraph shall not be required for Second Source Waterline Water sold to a Third Party pursuant to a written contract that was executed by an Third Party and an Authority before March 1, 2012. Prior to entering into an agreement to sell ("Agreement to Sell") Second Source Waterline Water to a Third Party, the Authority intending to sell such Water ("Selling Authority") shall first offer in writing ("Written Offer") to the other Authority ("Non-Selling Authority") the option to purchase said Water on the same terms and conditions that the Selling Authority has offered to the Third Party. If, within 45 days of the Non-Selling Authority receiving the Written Offer, the Non-Selling Authority provides the Selling Authority with a written document accepting all of the terms of the Written Offer and agreeing in writing that the Non-Selling Authority will use said Water solely for users within its boundaries or its GRP (collectively, the "Acceptance Document"), then the Selling Authority shall not enter into the Agreement to Sell with the Third Party and shall instead sell said Water to the Non-Selling Authority according to the terms of the Written Offer. If the Non-Selling Authority fails to provide the Selling Authority with the Acceptance Document within 45 days of the Non-Selling Authority's receipt of the Written Offer, then the Written Offer shall be automatically deemed denied and the Selling Authority shall be authorized to sell the Water to the Third Party.

For purposes of the preceding paragraph, any Water that a Selling Authority intends to sell (or that a Selling Authority sells) to a Third Party will be considered Second Source Waterline Water, regardless of whether it is: (i) Water out of the Second Source Waterline, or (ii) Water that an Authority is otherwise entitled to obtain from Houston under a Contract (including, without limitation, the 19.5 MGD that the Fort Bend Authority is currently entitled to under the Fort Bend Contract and the 28.25 MGD that the West Authority is currently entitled to under the West Contract).

Neither Authority shall sell capacity that it owns in any Joint Facility(ies) without first obtaining the written consent of the other Authority, which consent may or may not be granted at the sole discretion of the other Authority.

Section 12.6. Force Majeure. If any Party is rendered unable, wholly or in part, by force majeure to carry out any of its obligations other than the payment of money under this Agreement, then the obligations of such Party, to the extent affected by such force majeure and to the extent that due diligence is being used to resume performance at the earliest practicable time, shall be suspended during the continuance of any inability so caused to the extent provided but for no longer period. Such cause, as far as possible, shall be remedied with reasonable diligence. The term "force majeure," as used in this Agreement, shall include, but not be limited to, 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 or any agency, department or branch thereof, or the State of Texas or any agency, department, branch or political subdivision thereof (other than the Authorities), or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipe-lines or canals, partial or entire failure of Water necessary for operation of the Joint Facilities, and any other incapacities of any Party to this Agreement, 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 any Party to this Agreement, 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 demand of the opposing party or parties when such settlement is unfavorable to it in the judgment of the affected Party.

Section 12.7. Assignability. This Agreement shall not be assignable, in whole or in part, without first obtaining the written consent of the other Party, which consent may or may not be granted at the sole discretion of the other Party.

Section 12.8. Successors and Assigns. This Agreement shall apply to all permitted successors and assigns of the Parties.

Section 12.9. Regulatory Agencies. This Agreement shall be subject to all present and future valid laws, orders, rules and regulations of the United States of America and its agencies, the State of Texas and its agencies (including, without limitation, the TCEQ), and any regulatory body having jurisdiction (including, without limitation, Harris County and Houston).

Section 12.10. No Additional Waiver Implied. The failure of a Party to insist, in any one or more instances, upon performance of any of the terms, covenants, or conditions of this Agreement shall not be construed as a waiver or relinquishment of the future performance of any such term, covenant, or condition by the other Party, but the obligation of the other Party with respect to such future performance shall continue in full force and effect.

Section 12.11. Modification. Except as otherwise expressly provided in this Agreement, the Agreement shall be subject to change or modification only with the written mutual consent of the Parties.

Section 12.12. Parties in Interest. This Agreement shall be for the sole and exclusive benefit of the Parties and their permitted successors and assigns and shall not be construed to

confer any rights upon any third party nor upon any inhabitants located within the boundaries of the Parties nor upon any customers of the Parties.

Section 12.13. Severability. If any provision of this Agreement is determined to be invalid, illegal, or unenforceable, the remaining provisions of this Agreement remain in full force and effect.

Section 12.14. Merger. This Agreement, including the exhibits that are attached to this Agreement which are hereby incorporated for all purposes, embodies the entire agreement between the Authorities relative to the subject matter of this Agreement.

Section 12.15. Construction of Agreement; Consultant Fees. This Agreement shall not be construed in favor of or against any Authority on the basis that the Authority did or did not author this Agreement. Each Authority shall be solely responsible for its own legal fees, engineering fees, any other consultant fees incurred for review, negotiation, and finalization of the terms of this Agreement.

Section 12.16. Consultation. The Parties each hereby acknowledge, represent, and warrant to each other: (i) each has had the opportunity to consult with legal counsel of its own choice and has been afforded an opportunity to review and negotiate this Agreement with assistance of its legal counsel, (ii) each has reviewed this Agreement, and fully understands its effects and all terms and provisions contained in the Agreement, and (iii) each has executed this Agreement of its own free will and volition.

Section 12.17. Approval or Consent. Whenever this Agreement requires or permits approval or consent to be given by a Party, the Parties agree that such approval or consent shall not be unreasonably withheld, conditioned, or delayed.

Section 12.18. Applicable Law. This Agreement shall be governed and construed in accordance with the laws of the State of Texas.

Section 12.19. Counterparts. This Agreement may be executed and delivered in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute one instrument and agreement.

Section 12.20. Notices. Notices required or permitted to be given by either Party to the other, including invoices, shall be deemed to have been received by the Party to whom they are sent upon receipt, or if sent by mail, within 3 days after deposit in the United States Mail, properly stamped and addressed. The Parties shall have the right from time to time to change their respective address and each shall have the right to specify as its address any other address by at least 15 days written notice to the other Party. Notices shall be in writing and, except for invoices, shall be delivered or mailed to the Parties at the following address:

If to West Authority, to:

West Harris County Regional Water Authority
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, Texas 77027

If to Fort Bend Authority, to:

North Fort Bend Water Authority
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, Texas 77027

Invoices shall be in writing and shall be delivered or mailed to the Authorities at the following addresses:

If to West Authority, to:

West Harris County Regional Water Authority
c/o Myrtle Cruz, Inc.
1621 Milam, 3rd Floor
Houston, Texas 77002

If to Fort Bend Authority, to:

North Fort Bend Water Authority
c/o AVANTA Services
5635 Northwest Central Dr., Suite 104E
Houston, Texas 77092

Section 12.21. Headings. The headings of each section of this Agreement are inserted solely for convenience and shall never be given effect in construing the duties, obligations, or liabilities of the Parties or any provision hereof, or in ascertaining the intent of any Party with respect to the provisions hereof.

Section 12.22. Currency. All payments due from one Authority to the other Authority pursuant to this Agreement shall be made in any currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America.

Section 12.23. Inspection of Records. Upon reasonable notice, each Authority shall allow the other Authority the opportunity to inspect its records for the purpose of evaluating the costs for which payments are requested or required hereunder.

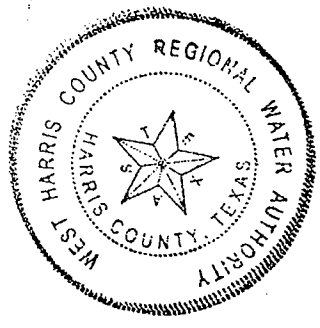
[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Authorities have executed this Agreement in multiple copies, each of which shall be deemed to be an original, effective as of the Effective Date.

WEST HARRIS COUNTY
REGIONAL WATER AUTHORITY

By: *David S. Kachur*
President, Board of Directors

ATTEST *D. L. C.*
By: _____
Secretary, Board of Directors

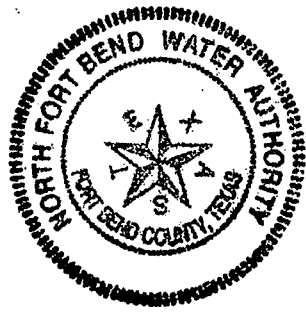


NORTH FORT BEND
WATER AUTHORITY

By: *Pat C. Slaughter*
President, Board of Directors

ATTEST

By: *Melony Say*
Secretary, Board of Directors



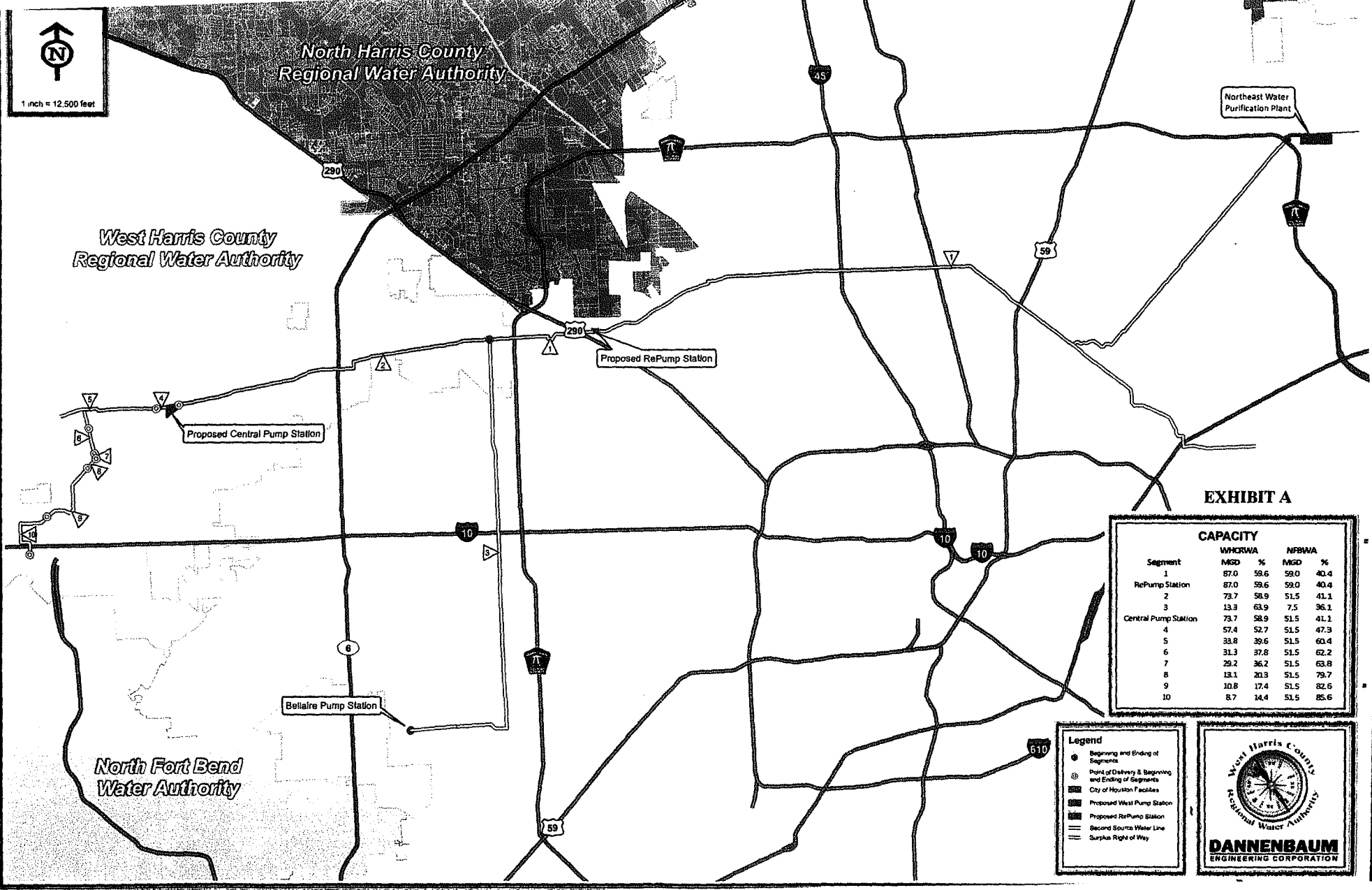


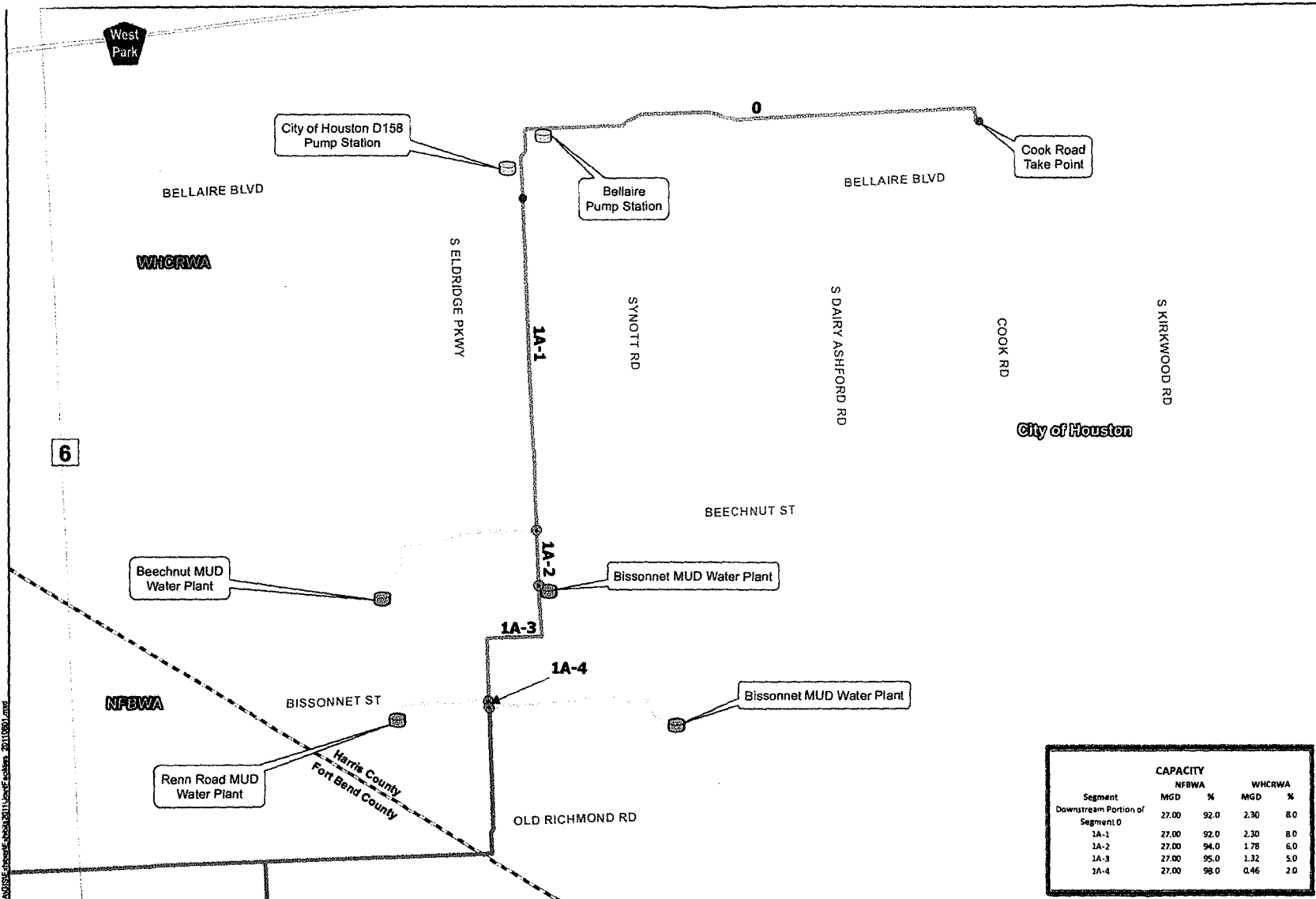
EXHIBIT A

Segment	WHCRWA		NFBWA	
	MGD	%	MGD	%
1	87.0	59.6	59.0	40.4
RePump Station	87.0	59.6	59.0	40.4
2	73.7	58.9	51.5	41.1
3	13.3	63.9	7.5	36.1
Central Pump Station	73.7	58.9	51.5	41.1
4	57.4	52.7	51.5	47.3
5	33.8	39.6	51.5	60.4
6	31.3	37.8	51.5	62.2
7	29.2	36.2	51.5	63.8
8	18.1	20.3	51.5	79.7
9	10.8	17.4	51.5	82.6
10	8.7	14.4	51.5	85.6

Legend

- Beginning and Ending of Segments
- ⊙ Point of Delivery & Beginning and Ending of Segments
- ▣ City of Houston Facilities
- ▤ Proposed West Pump Station
- ▥ Proposed RePump Station
- ▧ Second Source Water Line
- ▨ Surplus Right of Way

DANNENBAUM
ENGINEERING CORPORATION



- Beginning and Ending of Segment
- Point of Delivery and Beginning and Ending of Segment
- NFBWA/WHCRWA Shared Waterline
- NFBWA Waterline
- WHCRWA Waterline



Disclaimer:
Every effort has been made to ensure the accuracy of the base map data. Brown & Gay Engineers, Inc. assumes no liability for damages due to errors in operations.

Segment	CAPACITY			
	NFBWA		WHCRWA	
Downstream Portion of	MGD	%	MGD	%
Segment 0	27.00	92.0	2.30	8.0
1A-1	27.00	92.0	2.30	8.0
1A-2	27.00	94.0	1.78	6.0
1A-3	27.00	95.0	1.32	5.0
1A-4	27.00	98.0	0.46	2.0

EXHIBIT B


Date: June 2011 Rev No: NFB00-60

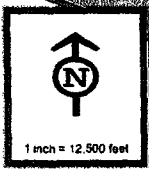
Joint Facilities

Brown & Gay Engineers, Inc.

101st Street, Suite 100, Houston, TX 77036
Tel: 281.288.0000 Fax: 281.288.0001
www.brownandgay.com

EXHIBIT C

		North Fort Bend Water Authority Incurred Bellaire Pump Station Realty Costs		
		Cost	NFBWA	WHCRWA
			27 MGD	2.3
			92%	8%
	Land Acquisition ¹	\$ 3,932,699	\$ 3,618,083	\$ 314,616
	Land Acquisition Support Costs	\$ 51,467	\$ 47,349	\$ 4,117
	Engineering Support ²	\$ 29,000	\$ 26,680	\$ 2,320
	Legal Support	\$ 41,388	\$ 38,077	\$ 3,311
	Subtotal	\$ 4,054,554	\$ 3,730,189	\$ 324,364
	2 years interest at 5.428643% (funded 6/30/2009)	\$ 440,214	\$ 404,997	\$ 35,217
	Total Cost	\$ 4,494,768	\$ 4,135,187	\$ 359,581
1. What was actually paid for property, based on bookkeeping records from Property Acquisition Services				
2. Estimate of 200 hrs at \$145.00 per hour				



North Harris County
Regional Water Authority

West Harris County
Regional Water Authority

Northeast Water
Purification Plant

WATER LOSS CENTRAL PUMP STATION TO 1-10 METER STATION

$$Q_{WHCRWA} = (Q_{10} + Q_{11} - (Q_3 + Q_{12})) \times \left(\frac{\text{Sum}(dl)_1}{\text{Sum}(dl)_2} + \frac{(Q_{12}/(Q_3 + Q_{12}))}{\text{Sum}(dl)_2} \right) \times \left(\frac{\text{Sum}(dl)_1}{\text{Sum}(dl)_2} \right)$$

$$Q_{ATBWA} = (Q_{10} + Q_{11} - (Q_3 + Q_{12})) \times \left(\frac{Q_3}{(Q_3 + Q_{12})} \right) \times \left(\frac{\text{Sum}(dl)_1}{\text{Sum}(dl)_2} \right)$$

SEGMENT 2 - WATER LOSS REPUMP STATION TO CENTRAL PUMP STATION

$$Q_{WHCRWA} = \{ (Q_2 - Q_{10} - (Q_4 - Q_5)) \times (Q_{10}/(Q_{10} + Q_2 - Q_5)) \} \times (Q_2/Q_{10})$$

$$Q_{ATBWA} = \{ (Q_2 - Q_{10} - (Q_4 - Q_5)) \times (Q_{10}/(Q_{10} + Q_2 - Q_5)) \} - Q_{WHCRWA}$$

SEGMENT 1 - WATER LOSS C.O.H. DELIVERY POINT TO REPUMP STATION

$$Q_{WHCRWA} = (Q_1 - Q_2) \times (Q_3 + Q_4 - Q_5 - Q_6 - Q_7 - Q_8) / Q_2$$

$$Q_{ATBWA} = (Q_1 - Q_2) - Q_{WHCRWA}$$

WATER LOSS BELLAIRE PUMP STATION THROUGH SEGMENT 1A-4

$$Q_{WHCRWA} = (Q_4 + Q_5 - (Q_6 + Q_7 + Q_8 + Q_9)) \times \left(\frac{\text{Sum}(dl)_4}{\text{Sum}(dl)_5} + \frac{(Q_7 + Q_8 + Q_9) / (Q_6 + Q_7 + Q_8 + Q_9)}{\text{Sum}(dl)_5} \right) \times \left(\frac{\text{Sum}(dl)_4}{\text{Sum}(dl)_5} \right)$$

$$Q_{ATBWA} = (Q_4 + Q_5 - (Q_6 + Q_7 + Q_8 + Q_9)) \times \left(\frac{\text{Sum}(dl)_4}{\text{Sum}(dl)_5} + \frac{(Q_7 + Q_8 + Q_9) / (Q_6 + Q_7 + Q_8 + Q_9)}{\text{Sum}(dl)_5} \right) + \frac{(Q_6) / (Q_6 + Q_7 + Q_8 + Q_9)}{\text{Sum}(dl)_5} \times \left(\frac{\text{Sum}(dl)_4}{\text{Sum}(dl)_5} \right)$$

SEGMENT 3 - WATER LOSS REPUMP STATION TO BELLAIRE PUMP STATION

$$Q_{WHCRWA} = \{ (Q_2 - Q_{10} - (Q_4 - Q_5)) \times (Q_2 - Q_5) / (Q_{10} + Q_2 - Q_5) \} \times (Q_2 + Q_3 + Q_4 + Q_5) / (Q_4 - Q_5)$$

$$Q_{ATBWA} = \{ (Q_2 - Q_{10} - (Q_4 - Q_5)) \times (Q_2 - Q_5) / (Q_{10} + Q_2 - Q_5) \} - Q_{WHCRWA}$$

- EXHIBIT D**
- Q₁ = Flow at City of Houston Delivery Point
 - Q₂ = Flow at RePump Station
 - Q₃ = Flow at I-10 Meter Station
 - Q₄ = Flow at Bellaire Pump Station
 - Q₅ = Flow at NFBWA Meter from COH
 - Q₆ = Flow at Mission Bend Meter Station
 - Q₇ = Flow at Renn Road Water Plant
 - Q₈ = Flow at Beechnut Water Plant
 - Q₉ = Flow at Bissonett Water Plant #1 & Water Plant #2
 - Q₁₀ = Flow at Central Pump Station
 - Q₁₁ = Flow at WHCRWA Pump Station #1
 - Q₁₂ = Water metered at all WHCRWA Water Plants except Mission Bend Area
 - Q₁₃ = Water metered at all NFBWA Water Plants
 - Sum(dl)₁ = Sum of length times diameter of all unshared WHCRWA lines except Mission Bend and Segments 1, 2 & 3
 - Sum(dl)₂ = Sum of length times diameter of all WHCRWA lines except Mission Bend and Segments 1, 2 & 3
 - Sum(dl)₃ = Sum of length times diameter of all shared WHCRWA lines except Mission Bend and Segments 1, 2 & 3
 - Sum(dl)₄ = Sum of length times diameter of WHCRWA unshared lines to Renn Road, Beechnut and Bissonett Water Plants
 - Sum(dl)₅ = Sum of length times diameter of all NFBWA lines plus Sum(dl)₄
 - Sum(dl)₆ = Sum of length times diameter of all NFBWA shared lines
 - Sum(dl)₇ = Sum of length times diameter of all NFBWA unshared lines

Legend

- ⊙ Beginning and Ending of Segments
- ⊙ Point of Delivery
- ▭ City of Houston Facilities
- Second Source Water Line

DANNENBAUM
ENGINEERING CORPORATION

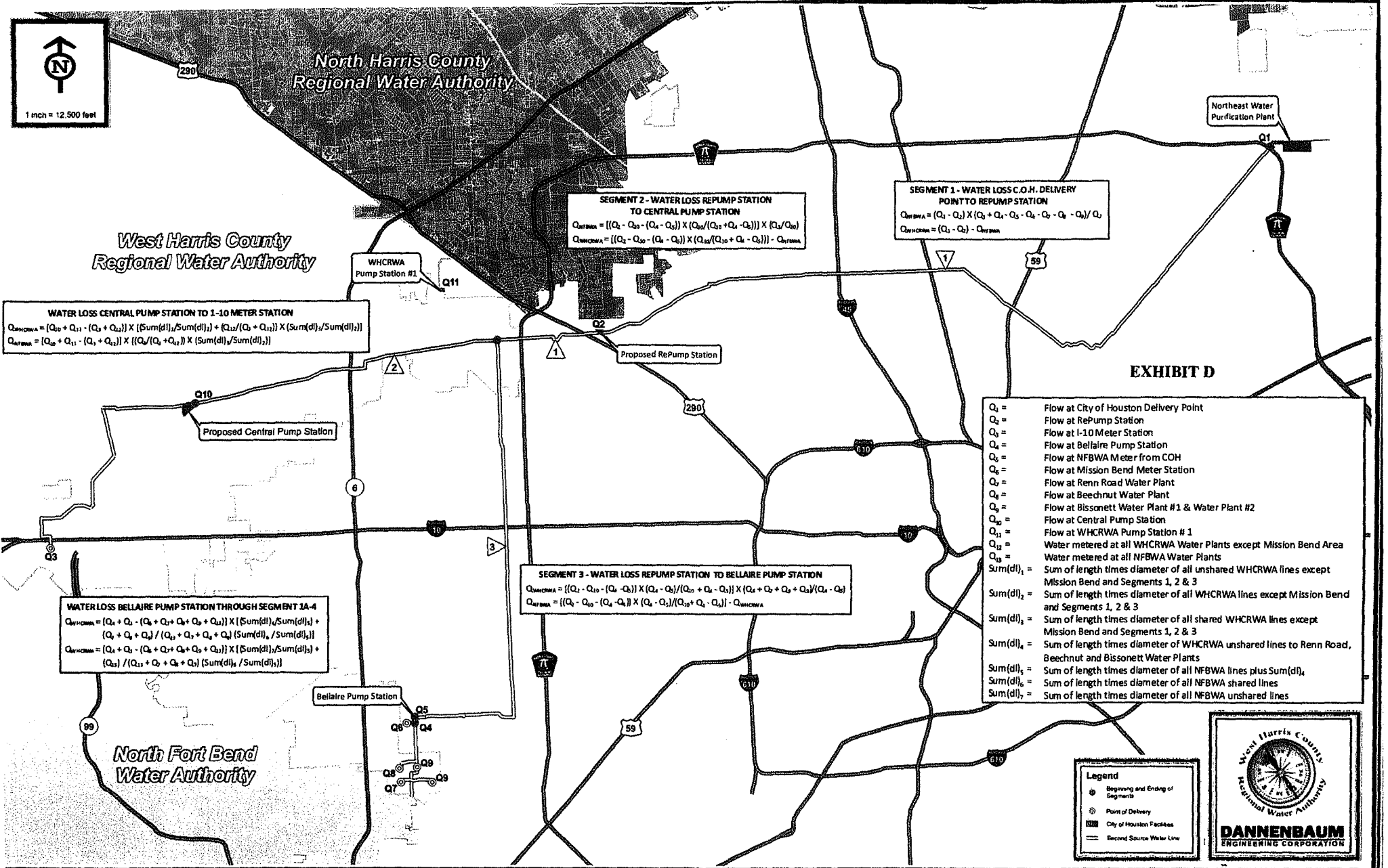


EXHIBIT E
WEST HARRIS COUNTY REGIONAL WATER AUTHORITY
SECOND SOURCE SCHEDULE AND BUDGET

ITEM	ESTIMATED COST
Engineering, surveying, geotechnical, environmental, material testing and construction management	\$ 81,029,000
Right of way acquisition, legal, communication/coordination	\$ 6,721,000
Easements and pump station sites	\$ 41,192,000
Construction	<u>\$ 413,477,000</u>
Total Cost	\$ 542,419,000

EXHIBIT E (Cont.) Second Source Schedule

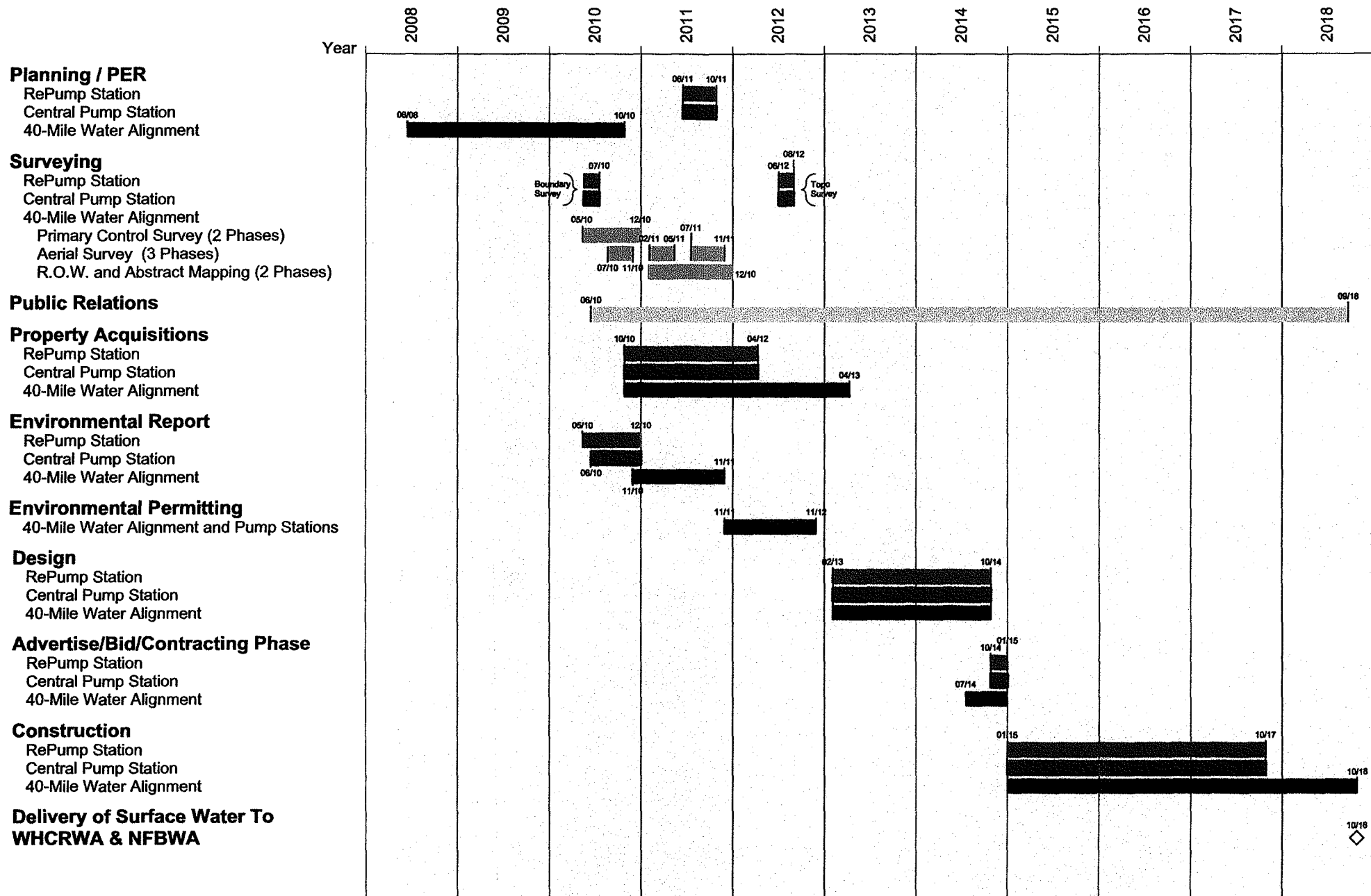


EXHIBIT F
ESTIMATES OF INCURRED SECOND SOURCE WATERLINE REALTY COSTS AND INCURRED SECOND SOURCE
WATERLINE OPERATION AND MAINTENANCE EXPENSES

ITEM	COSTS
Realty Costs and Operation and Maintenance Expenses through June 14, 2011	\$ 9,082,000
Estimated Realty Costs and Operation and Maintenance Expenses from June 15, 2011 to Effective Date	\$ 110,000
Estimated Realty Costs from Effective Date to Completion	<u>\$ 49,306,000</u>
Estimated Total	\$ 58,498,000

NFBWA Phase 2 Distribution Segments
Attachment D57. Census Tracts

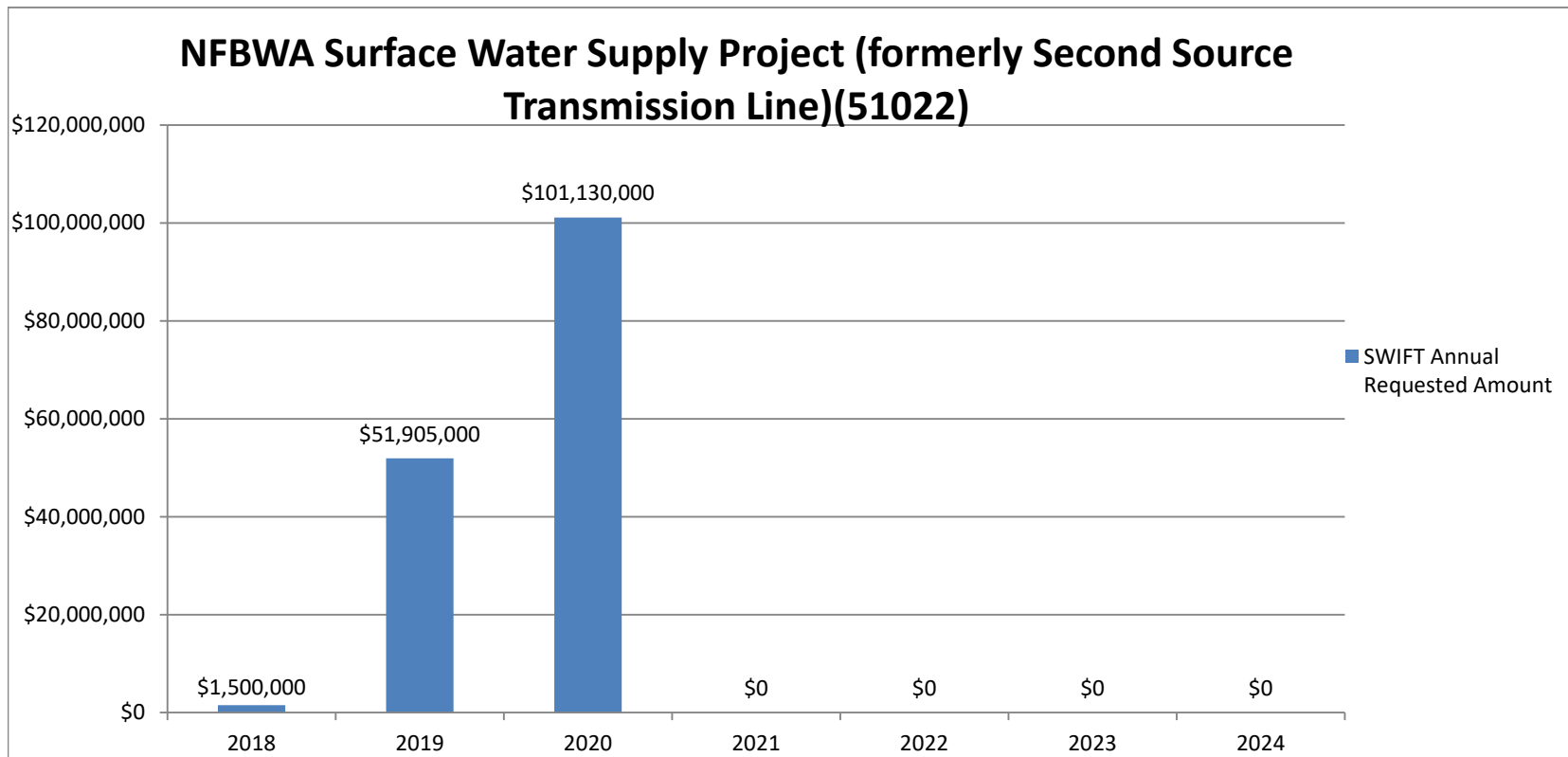
Census Tract 6754
Census Tract 4543.02
Census Tract 6758
Census Tract 6732
Census Tract 6734
Census Tract 6733
Census Tract 4545.02
Census Tract 4551.02
Census Tract 6737
Census Tract 6801
Census Tract 4549
Census Tract 4550
Census Tract 4553
Census Tract 4538
Census Tract 4539
Census Tract 4540
Census Tract 4542
Census Tract 4548
Census Tract 6731.01
Census Tract 6731.02
Census Tract 4551.01
Census Tract 6726.01
Census Tract 6730.01
Census Tract 6730.03
Census Tract 6723.02
Census Tract 6727.02
Census Tract 6723.01
Census Tract 6726.02
Census Tract 6727.01
Census Tract 6730.02
Census Tract 6722
Census Tract 6724
Census Tract 6725
Census Tract 6728
Census Tract 6729
Census Tract 6735
Census Tract 6736

North Fort Bend Water Authority Population and Water Demand Projections
2018 SWIFT Application Attachment D59

Year	Population	Water Demand (MGD)
2018	238,600	42.94
2019	252,300	45.40
2020	263,300	47.39
2021	275,100	49.51
2022	285,700	51.42
2023	297,100	53.47
2024	307,400	55.33
2025	317,200	57.09
2026	322,900	58.10
2027	327,800	58.99
2028	332,300	59.81
2029	339,800	61.16
2030	347,900	62.61
2031	357,600	64.35
2032	367,600	66.16
2033	377,100	67.87
2034	385,200	69.32
2035	391,700	70.50
2036	397,600	71.56
2037	404,500	72.81
2038	412,000	74.16
2039	420,300	75.65
2040	429,200	77.25
2041	438,900	78.99
2042	439,600	79.11
2043	440,300	79.24
2044	441,000	79.37
2045	441,700	79.49
2046	442,400	79.62
2047	443,100	79.75
2048	443,800	79.87
2049	444,500	80.00
2050	445,200	80.13
2051	445,600	80.20
2052	446,000	80.26
2053	446,300	80.33
2054	446,700	80.40
2055	447,100	80.47
2056	447,500	80.53
2057	447,800	80.60
2058	448,200	80.67
2059	448,600	80.74
2060	449,000	80.80
2061	449,200	80.84
2062	449,300	80.87
2063	449,500	80.91
2064	449,700	80.94
2065	449,900	80.98
2066	450,100	81.01
2067	450,300	81.05
2068	450,500	81.08
2069	450,700	81.12
2070	450,900	81.15

Attachment E69
Commitment Schedule - SWSP

Loan Close Date	SWIFT Annual Requested Amount
2018	\$1,500,000
2019	\$51,905,000
2020	\$101,130,000
2021	\$0
2022	\$0
2023	\$0
2024	\$0
Total	\$154,535,000



EIGHTH SUPPLEMENTAL INDENTURE OF TRUST

BETWEEN

NORTH FORT BEND WATER AUTHORITY

and

REGIONS BANK, as Trustee

AUTHORIZING

**\$339,480,000 NORTH FORT BEND WATER AUTHORITY
WATER SYSTEM JUNIOR LIEN REVENUE BONDS, SERIES 2018**

Dated as of _____, 2018

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EXHIBITS

Exhibit A - Form of Series 2018 Bonds

EIGHTH SUPPLEMENTAL INDENTURE OF TRUST
AUTHORIZING
\$339,480,000 NORTH FORT BEND WATER AUTHORITY
WATER SYSTEM JUNIOR LIEN REVENUE BONDS, SERIES 2018

THIS EIGHTH SUPPLEMENTAL INDENTURE OF TRUST, dated as of _____, 2018 (the "Eighth Supplemental Indenture"), is made by and between **NORTH FORT BEND WATER AUTHORITY** (the "Authority"), a political subdivision of the State of Texas, and **REGIONS BANK**, in its capacity as trustee (together with any successor trustee hereunder, the "Trustee"), an Alabama state banking corporation with powers and authorized to do business in the State of Texas.

WITNESSETH:

WHEREAS, pursuant to Senate Bill 1798, 79th Texas Legislature, which enacted Chapter 8813, Texas Special District Local Laws Code, as amended (the "Act"), the Authority was created as a political subdivision of the State of Texas; and

WHEREAS, pursuant to the Act, the Authority was created under and is essential to accomplish the purposes of Section 59, Article XVI, of the Texas Constitution, including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivision, and other public purposes stated in the Act; and

WHEREAS, in order to secure the Bonds, Notes and Obligations, the Authority has entered into an Indenture of Trust, dated as of June 1, 2009, with the Trustee for the purpose of assigning and pledging to the Trustee the Trust Estate, which includes the Pledged Revenues and Pledged Funds, and providing that the Trust Estate be held by the Trustee to secure the payment of principal of and interest on all Bonds, Notes and Obligations; and

WHEREAS, the Authority has determined to issue the Series 2018 Bonds (as defined herein) under said Indenture of Trust and this Eighth Supplemental Indenture to: (i) fund Project Costs (as defined herein) of the Project (as defined herein), (ii) fund the Junior Lien Reserve Fund Requirement (as defined herein) attributable to the Series 2018 Bonds, and (iii) pay for the Costs of Issuance (as defined herein) of the Series 2018 Bonds; and

WHEREAS, the Authority has requested financial assistance from the TWDB (as defined herein) through the TWDB's State Water Implementation Revenue Fund for Texas in connection with certain costs related to the Project; and

WHEREAS, the Authority desires to enter into this Eighth Supplemental Indenture for such purposes; and

WHEREAS, the Authority also desires to define certain terms relating to the Bonds to be issued; and

NOW, THEREFORE, in consideration of the premises, the acceptance by the Trustee of the trusts hereby created, the purchase and acceptance of the Bonds by the owners thereof from time to time, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Authority and the Trustee do hereby mutually covenant and agree, for the equal and proportionate benefit of the respective owners from time to time of the Bonds, as follows:

ARTICLE I
DEFINITIONS AND STATUTORY AUTHORITY

SECTION 101. Authority. This Eighth Supplemental Indenture is supplemental to, and is adopted in accordance with the Indenture, including Articles III and X of the Indenture.

SECTION 102. Definitions.

A. Except as provided in subsection B of this Section, all defined terms contained in the Indenture shall have the same meanings in this Eighth Supplemental Indenture as such defined terms are given in Section 101 (as amended) of the Indenture, unless the context shall otherwise require.

B. In addition to the terms defined elsewhere in this Eighth Supplemental Indenture, the following terms, as used in this Eighth Supplemental Indenture, shall have the following respective meanings but only for the purposes of the Bonds and this Eighth Supplemental Indenture.

“*Bonds or Series 2018 Bonds*” shall mean the Bonds authorized by this Eighth Supplemental Indenture in the aggregate principal amount of \$339,480,000 and designated North Fort Bend Water Authority Water System Junior Lien Revenue Bonds, Series 2018.

“*City*” shall mean the City of Houston, Texas.

“*Costs of Issuance or Series 2018 Cost of Issuance*” shall mean any and all costs incurred in connection with the authorization, issuance, sale and delivery of the Bonds, which shall include all of the Authority’s out-of-pocket expenses in connection with the authorization, issuance, sale and delivery of the Bonds including, but not limited to, all financing, legal, financial advisory, printing and other expenses and costs of the Authority necessary to the issuance of the Bonds.

"Date of Delivery" shall mean _____, 2018.

"Dated Date" shall mean _____, 2018.

"Escrow Agent" shall mean Compass Bank, an Alabama banking corporation, its successors and assigns.

"Escrow Agreement" shall mean that certain Escrow Agreement between the Authority and the Escrow Agent, dated as of _____, 2018, pertaining to the deposit of the proceeds of the Bonds.

"Financing Agreement" means that certain Financing Agreement entered into between the Authority and the TWDB dated _____, 2018.

"First Supplemental Indenture" shall mean the First Supplemental Indenture of Trust, dated as of June 1, 2009, authorizing the Series 2009 Bonds.

"Fifth Supplemental Indenture" shall mean the Fifth Supplemental Indenture of Trust, dated as of August 15, 2016, authorizing the Series 2016A Bonds.

"Fourth Supplemental Indenture" shall mean the Fourth Supplemental Indenture of Trust, dated as of November 1, 2015, authorizing the Series 2015 Bonds.

"Indenture" shall mean the Indenture of Trust, dated as of June 1, 2009, between the Authority and the Trustee, as from time to time supplemented and amended, including by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, and this Eighth Supplemental Indenture.

"Initial Bond" means the initial bond issued by the Authority being a single bond representing the entire principal amount of the Series 2018 Bonds.

"Interest Payment Date" shall mean June 15 and December 15 of each year as applicable commencing June 15, 2019.

"Issuance Date" shall mean the date of delivery of the Bonds to the initial purchaser or purchasers thereof against payment therefor.

"NEWPP" shall mean the City's water purification plant located at 12121 North Beltway 8 East (a.k.a. "North Sam Houston Parkway East"), Humble, Texas 77396.

“Project or Series 2018 Project” shall mean the realty interest acquisition, engineering, environmental work, and construction and acquisition for System improvements and capacity, including: (a) storage, pumping and transmission facilities (to be located in both Harris and Fort Bend Counties) to transport and convey water along some or all of the distance from the NEWPP to areas near, in and through the Authority’s boundaries; (b) storage, pumping, and transmission facilities to transport and convey water to Authority water customers; and (c) payments due to the City for expansion of the NEWPP.

“Project Costs or Series 2018 Project Costs” shall mean payments for the Series 2018 Project or Series 2018 Costs of Issuance and includes all design, acquisition, construction and reconstruction costs as those terms are generally understood in standard accounting practice as applied to water storage, pumping, treatment, transmission, and water well and other water supply facilities and capacity projects of the nature of the Project and without limiting the generality of the foregoing, the term shall include the purchase of equipment, property and rights in property, the cost of land, easements and rights-of-way, including damages to land and property, and all studies, engineering, surveying, environmental consultants, geotechnical consultants, financial consultants, administrative, auditing and legal expenses, as well as any such costs paid for with proceeds from or incurred in association with the issuance of interim financing as contemplated by and subject to the restrictions contained in Section 7 of the Financing Agreement, incurred in connection with the acquisition and construction of the Project.

“Purchaser” or *“TWDB”* shall mean Texas Water Development Board, an agency of the State of Texas.

“Second Supplemental Indenture” shall mean the Second Supplemental Indenture of Trust, dated as of September 1, 2010 authorizing the Series 2010 Bonds.

“Series 2009 Bonds” shall mean the Bonds authorized by the First Supplemental Indenture in the aggregate principal amount of \$142,400,000 and designated North Fort Bend Water Authority Water System Revenue Bonds, Series 2009.

“Series 2010A Bonds” shall mean the Bonds authorized by the Second Supplemental Indenture in the aggregate principal amount of \$41,215,000 and designated North Fort Bend Water Authority Water System Revenue Bonds, Series 2010A.

“Series 2010B Bonds” shall mean the Bonds authorized by the Second Supplemental Indenture in the aggregate principal amount of \$18,785,000 and designated North Fort Bend Water Authority Water System Revenue Bonds, Series 2010B (Direct Subsidy Build America Bonds).

“Series 2010 Bonds” shall mean the \$41,215,000 North Fort Bend Water Authority Water System Revenue Bonds, Series 2010A and the \$18,785,000 North Fort Bend Water Authority Water System Revenue Bonds, Series 2010B (Direct Subsidy Build America Bonds).

“Series 2011 Bonds” shall mean the \$81,100,000 North Fort Bend Water Authority Water System Revenue Bonds, Series 2011.

“Series 2015 Bonds” shall mean the \$8,670,000 North Fort Bend Water Authority Water System Junior Lien Revenue Bonds, Series 2015.

“Series 2016A Bonds” shall mean the \$9,420,000 North Fort Bend Water Authority Water System Junior Lien Revenue Bonds, Series 2016A.

“Series 2016B Bonds” shall mean the \$11,025,000 North Fort Bend Water Authority Water System Junior Lien Revenue Bonds, Series 2016B.

“Series 2017 Bonds” shall mean the \$87,360,000 North Fort Bend Water Authority Water System Revenue Bonds, Series 2017.

“Seventh Supplemental Indenture” shall mean the Seventh Supplemental Indenture of Trust, dated as of November 1, 2017, authorizing the Series 2017 Bonds.

“Sixth Supplemental Indenture” shall mean the Sixth Supplemental Indenture of Trust, dated as of October 1, 2016, authorizing the Series 2016B Bonds.

“Third Supplemental Indenture” shall mean the Third Supplemental Indenture of Trust, dated as of October 1, 2011 authorizing the Series 2011 Bonds.

“TWDB” shall mean the Texas Water Development Board.

C. Articles and sections referred to by number shall mean the articles and sections of this Eighth Supplemental Indenture.

SECTION 103. Interpretations. All terms defined herein and all pronouns used in this Eighth Supplemental Indenture shall be deemed to apply equally to the singular and plural and to all genders. The headings of the Sections in this Eighth Supplemental Indenture have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This Eighth Supplemental Indenture and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Series 2018 Bonds and the validity of the pledge and assignment of the Trust Estate to the Trustee to secure the payment of the Series 2018 Bonds.

[END OF ARTICLE I]

ARTICLE II
AUTHORIZATION AND TERMS OF BONDS

SECTION 201. Authorization, Principal Amount, Designation and Series. There is hereby authorized to be issued and shall be issued under and secured by the Indenture a Series of Bonds to be designated “North Fort Bend Water Authority Water System Junior Lien Revenue Bonds, Series 2018” in the aggregate principal amount of \$339,480,000. The Series 2018 Bonds are issued as Junior Lien Bonds under the Indenture.

SECTION 202. Purposes. The Series 2018 Bonds are being issued to be applied, together with other lawfully available funds, to (i) fund Project Costs of the Project; (ii) fund the Junior Lien Reserve Fund Requirement attributable to the Series 2018 Bonds, and (iii) pay for the Costs of Issuance of the Series 2018 Bonds.

SECTION 203. Initial Bond, Numbers, Date and Denomination of the Bonds. The Series 2018 Bonds shall initially be issued in the principal amounts, and bearing interest at the rates set forth below, as more fully described in Exhibit A attached hereto. The Series 2018 Bonds shall mature, subject to prior redemption in accordance with this Eighth Supplemental Indenture, on December 15 in each of the years and in the amounts set out in the following schedule. The Initial Bond shall be numbered IB-1 and all other Bonds shall be numbered in sequence beginning with R-1. The Series 2018 Bonds shall be dated the Dated Date. In the event the book-entry only system referred to in Section 210 hereof is discontinued, Bonds delivered on transfer of or in exchange for other Bonds shall be numbered in the order of their authentication by the Trustee, shall be in the denomination of \$5,000 or integral multiples thereof, and shall mature on the same date and bear interest at the same rate as the Series 2018 Bonds in lieu of which they are delivered.

SECTION 204. Interest Payment Dates, Interest Rates and Maturity of the Bonds. The Bonds shall be issued, shall bear interest from the Date of Delivery at the rate or rates per annum set forth below, calculated on the basis of a 360-day year composed of twelve 30-day months and payable each Interest Payment Date until maturity or prior redemption, and shall mature and become payable on the dates and in the respective principal amounts as set forth below.

[TO BE INSERTED]

Series 2018 Bonds		
Maturity December 15	Principal Amount Maturing (\$)	Interest Rate (%)

SECTION 205. Manner of Payment of Series 2018 Bonds. Interest on the Bonds shall be paid as provided in the form of Series 2018 Bonds attached as Exhibit A hereto.

SECTION 206. Form of Bonds, Comptroller's Registration Certificate, and Trustee's Authentication Certificate. Subject to the provisions of the Indenture and this Eighth Supplemental Indenture, the form of the Bonds, the authentication certificate (which shall be affixed to the Bonds other than the Initial Bond), and the registration certificate of the Comptroller of Public Accounts of the State of Texas (which shall be affixed to the Initial Bonds only), and other matters to be printed on the Bonds shall be as shown on Exhibit A.

The approving legal opinion of bond counsel may be printed on the Bonds over the certification of the Trustee, which may be executed in facsimile. CUSIP numbers and any bond insurance legend also may be printed on the Bonds. However, errors or omissions in the printing of the opinion or the CUSIP numbers shall have no effect on the validity of the Bonds.

On the Issuance Date, the Initial Bond, being a single bond representing the entire principal amount of the Bonds, payable in stated installments to the Purchasers or its designee, executed by manual or facsimile signature of the President or Vice President and Secretary or Assistant Secretary of the Authority's Board of Directors, approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of Texas, shall be delivered to the Trustee on behalf of the Purchaser. Upon payment for the Initial Bond, the Trustee shall cancel the Initial Bond and deliver Bonds to DTC in accordance with Section 210 hereof.

SECTION 207. Provisions for Issuance of Bonds. The Bonds shall be executed by the Authority and, except for the Initial Bond which shall be registered by the Comptroller of Public Accounts of the State of Texas, shall be delivered to the Trustee. Thereupon, the Bonds (except the Initial Bond registered by the Comptroller of Public Accounts of the State of Texas) shall be authenticated by the Trustee and delivered to the Purchaser or upon its order, but only upon receipt by the Trustee of the documents required under the Indenture. After issuance and authentication of such Bonds, all subsequent Bonds issued in exchange therefor shall be authenticated and delivered by and at the designated corporate trust office of the Trustee.

SECTION 208. Optional Redemption Prior to Maturity. The Bonds are subject to redemption prior to maturity as set forth in the form of the Bonds in Exhibit A.

SECTION 209. Appointment of Trustee as Paying Agent/Registrar. The Trustee is hereby appointed as the paying agent/registrar for the Bonds (the "*Paying Agent/Registrar*"), and shall maintain books of registration for the Bonds in the State of

Texas at the Paying Agent/Registrar's office, a copy which shall be kept current by the Trustee.

SECTION 210. Book Entry Only System.

A. There may be appointed a qualified financial institution to be a clearing agency and securities depository for the Bonds (the "*Securities Depository*") in accordance with the provisions of this Section. Any Securities Depository will accept and hold the Bonds as the Registered Owner thereof and will maintain a book-entry-only system of recording the ownership and transfer of ownership of beneficial interests in the Bonds. Any Securities Depository so appointed shall be qualified to act as such under Section 17A of the Securities Exchange Act of 1934, as amended, capable of properly discharging its duties in such capacity and acceptable to the Trustee and the Authority.

B. Pursuant to the Authority's approval of the Blanket Letter of Representation, the Depository Trust Company, ("*DTC*") is hereby appointed to act as the initial Securities Depository for the Bonds. The Purchaser, or the Authority on behalf of the Purchaser, shall cause the definitive bonds to be registered in the name of Cede & Co., and shall deposit such definitive bonds with the initial Securities Depository, Cede & Co., in the form of a single fully registered Bond for each maturity.

With respect to the Bonds registered in the name of the Securities Depository or its nominee, the Authority and the Trustee shall be entitled to treat the person in whose name any Bond is registered in the Register as the absolute owner of such Bond for all purposes, and neither the Authority nor the Trustee shall have any responsibility or obligation to any person who holds a beneficial interest in the Bonds. Without limiting the immediately preceding sentence, neither the Authority nor the Trustee shall have any responsibility or obligation with respect to (i) the accuracy of the records of the Securities Depository, its nominee, or any other person with respect to any ownership interest in the Bonds, (ii) the delivery to any person, other than an Owner as shown on the Register, of any notice with respect to the Bonds, or (iii) the payment to any person, other than an Owner as shown in the Register, of any amount with respect to the principal of or interest on the Bonds.

Notwithstanding any other provision of the Indenture or this Eighth Supplemental Indenture to the contrary, so long as DTC or a successor Securities Depository is acting in such capacity with respect to the Bonds, all payments of principal of and interest on the Bonds, and all notices with respect to such Bonds, shall be made and given, respectively, in accordance with the written agreement between the Authority and the Securities Depository.

C. If DTC or any successor Securities Depository appointed by the Authority determines to discontinue acting as Securities Depository for the Bonds and the Authority desires to continue the book-entry-only system of recording the ownership

and transfer of ownership of beneficial interests in the Bonds, the Authority shall appoint a successor Securities Depository for the Bonds. Upon acceptance by the successor Securities Depository of its appointment and its duties and responsibilities in such capacity, the Authority shall, upon receipt from the preceding Securities Depository of a certified copy of its records of ownership of beneficial interests in the Bonds, provide a copy of such records to the successor Securities Depository and cause the Trustee to authenticate and deliver exchange Bonds, to the successor Securities Depository, registered in the name of the nominee of such successor Securities Depository.

D. If the Authority shall have appointed a Securities Depository with respect to the Bonds and if any of the events specified below shall occur, the Trustee shall authenticate and deliver, in accordance with the Indenture and this Eighth Supplemental Indenture, to each person who appears on the records of the Securities Depository as an owner of a beneficial interest in such Bonds, an exchange Bond(s), in any authorized denomination, of the same type, maturity and interest rate and in the same aggregate principal amount as the Bonds beneficially owned by such person or entity, as set forth in such record:

(a) If the Securities Depository determines not to continue to act as Securities Depository for the Bonds and the Authority is unable to locate a qualified successor Securities Depository;

(b) If the Authority determines that the Securities Depository is incapable of properly discharging its duties as Securities Depository for the Bonds and is unable to locate a qualified successor Securities Depository;

(c) If the Authority determines that it is in the best interest of the Authority to discontinue the book-entry system of registration of ownership of beneficial interest in the Bonds provided by the Securities Depository; or

(d) If the Authority determines that the continuance of the book-entry system of registration of ownership of beneficial interest in the Series 2018 Bonds provided by the Securities Depository might adversely affect the interests of the owners of such beneficial interest in the Bonds.

Upon the occurrence of any of the foregoing events, the Authority shall provide written notice of such event to the Securities Depository and to the Trustee.

[END OF ARTICLE II]

ARTICLE III
SOURCE OF PAYMENT; SPECIAL ACCOUNTS AND
OTHER MATTERS RELATING TO BONDS

SECTION 301. Source of Payment for Bonds. The Bonds are payable solely from, and secured by a lien on and pledge of, the Trust Estate. The Owners of the Bonds shall never have the right to demand payment out of any funds raised or to be raised by ad valorem taxation or to have any claim against any property or revenues of the Authority except for Pledged Revenues and Pledged Funds described in the Indenture. The Authority does not have the power to impose an ad valorem tax.

The Series 2018 Bonds are issued as Junior Lien Bonds and, as such, the Parity Bonds, Parity Notes, and Parity Obligations issued under the Indenture are and shall be secured by a lien on Pledged Revenues that is senior and superior to the lien on Pledged Revenues securing the Junior Lien Bonds (including the Series 2015 Bonds, the Series 2016A Bonds, the Series 2016B Bonds, the Series 2017 Bonds, and the Series 2018 Bonds), Junior Lien Notes, and Junior Lien Obligations; and Pledged Revenues shall first be applied to make all required deposits in and transfers to the Debt Service Fund and Debt Service Reserve Fund before making required deposits in and transfers to the Junior Lien Debt Service Fund and Junior Lien Debt Service Reserve Fund.

SECTION 302. Confirmation of Funds and Establishment of Special Accounts. Pursuant to the terms of the Indenture, the existence of the following Funds and Accounts are hereby confirmed:

- A. Revenue Fund;
- B. O&M Fund, including the Reserve Account;
- C. Debt Service Fund;
- D. Debt Service Reserve Fund;
- E. Junior Lien Debt Service Fund;
- F. Junior Lien Debt Service Reserve Fund;
- G. Coverage Fund;
- H. Construction Fund; and
- I. Improvement Fund.

The Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Junior Lien Debt Service Fund, the Junior Lien Debt Service Reserve Fund, the Coverage Fund, and the Construction Fund, and all Accounts within them, shall be held and

maintained by the Trustee as provided in the Indenture. The O&M Fund, including the O&M Reserve Account, and the Improvement Fund, and all Accounts within them, shall be held and maintained by the Authority as provided in the Indenture. The Authority reserves the right to establish additional funds and accounts not held by the Trustee to the extent not inconsistent with the Indenture. The Authority may from time to time request the Trustee to establish accounts and subaccounts within each Fund held by the Trustee for such purposes as may be provided in the Master Indenture or any supplement thereto.

For the purpose of maintaining a separate accounting of amounts allocable to Bonds, within certain of the Funds confirmed above, the following Accounts are hereby established: the Series 2018 Escrow Account and the Series 2018 Construction Account within the Construction Fund.

Complete books and records shall be maintained with respect to the allocable amounts attributable to such Series 2018 Bonds maintained in each such account or sub-account. In addition, in order to facilitate compliance with the covenant set forth in Article IV hereof, the Authority reserves the right to request the Trustee to establish the Rebate Fund and rebate accounts within it to account for excess arbitrage profits and interest thereon that must be accounted for or rebated to the United States of America. In establishing and maintaining the foregoing accounts, maintaining all books and records relating thereto and making disbursements therefrom, particularly to the United States of America, the Trustee and the Authority may rely from time to time upon opinions issued by nationally-recognized bond counsel to the effect that any action by the Trustee and/or the Authority in reliance upon any interpretation of the Code or Regulations contained in such opinions will not cause interest on the Bonds to be includable in gross income for federal income tax purposes under existing law.

SECTION 303. Confirmation of Junior Lien Reserve Fund and Coverage Fund Requirements.

As established in the Fourth Supplemental Indenture, the Junior Lien Reserve Fund Requirement means for Junior Lien Bonds and Junior Lien Notes the average annual Aggregate Debt Service Requirements on the Junior Lien Bonds and Junior Lien Notes, calculated as of the date of issuance of each Series, which calculations shall take into account the issuance of the Series of Bonds, Notes, or Obligations being issued or incurred as of the date of calculation.

Upon the issuance of the Series 2018 Bonds, the amount of the Junior Lien Reserve Fund Requirement for the Junior Lien Debt Service Reserve Fund is hereby established to be \$_____. The Junior Lien Reserve Fund Requirement will be satisfied through (i) the current cash balance in the Junior Lien Reserve Fund and investment earnings thereon, and/or (ii) a cash deposit of \$_____ from the Series 2018 Bond proceeds.

Upon the issuance of the Series 2018 Bonds, the amount of the Coverage Fund Requirement is hereby established and stipulated to be \$_____, which is 25% of their Maximum Annual Debt Service Requirements, in accordance with the requirements of the Indenture. The Coverage Fund Requirement will be satisfied through (i) the current cash balance in the Coverage Fund and investment earnings thereon, and (ii) a cash deposit of \$_____ from the Improvement Fund.

This Section 303 supersedes Section 303 in the Seventh Supplemental Indenture regarding the quantification of the Junior Lien Reserve Fund Requirement and Coverage Fund Requirement, and the methods of satisfaction thereof.

SECTION 304. Application of Net Proceeds. After payment of certain Project Costs of Issuance at the closing, net proceeds of the sale of the Bonds shall be applied as follows:

- A. To the Junior Lien Debt Service Reserve Fund, \$_____, which represents a portion of the Junior Lien Reserve Fund Requirement attributable to the Series 2018 Bonds. The remaining \$_____ will be satisfied through the cash balance in the Junior Lien Reserve Fund.
- B. The balance of the proceeds to the Authority for credit by the Authority to the Series 2018 Escrow Account, and, to the extent directed in writing by the TWDB, to the Series 2018 Construction Account. Moneys deposited in the Series 2018 Escrow Account shall be applied as provided in the Escrow Agreement.

SECTION 305. Use of Proceeds. The Series 2018 Bonds are being issued to be applied, together with other lawfully available funds, to: (i) fund Project Costs of the Project; (ii) fund some or all of the Junior Lien Reserve Fund Requirement attributable to the Series 2018 Bonds, and (iii) pay for the Costs of Issuance of the Series 2018 Bonds. Any surplus proceeds from the Series 2018 Bonds remaining after completion of the Project, and after payment of the costs described in the preceding sentence, shall be used only for the following purposes, as approved by the TWDB's executive administrator: (i) to deposit into the Junior Lien Debt Service Fund for payment of principal and/or interest on the Series 2018 Bonds; or (ii) to fund other eligible costs as authorized by the TWDB. The proceeds of the Series 2018 Bonds shall be secured in the manner prescribed by law and in compliance with the Public Funds Investment Act, Chapter 2256, Government Code, and the Public Funds Collateral Act, Chapter 2257, Government Code.

[END OF ARTICLE III]

ARTICLE IV
PROVISIONS CONCERNING FEDERAL INCOME TAX EXCLUSION

SECTION 401. General Tax Covenant. The Authority intends that the interest on the Series 2018 Bonds shall be excludable from gross income for federal income tax purposes pursuant to sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the “Code”), and the applicable Income Tax Regulations (the “Regulations”). The Authority covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Series 2018 Bonds to be includable in gross income, as defined in section 61 of the Code, for federal income tax purposes. In particular, the Authority covenants and agrees to comply with each requirement of this Article; provided, however, that the Authority shall not be required to comply with any particular requirement of this Article if the Authority has received an opinion of nationally recognized bond counsel (“*Counsel’s Opinion*”) that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2018 Bonds or if the Authority has received a Counsel’s Opinion to the effect that compliance with some other requirement set forth in this Article will satisfy the applicable requirements of the Code and the Regulations, in which case compliance with such other requirement specified in such Counsel’s Opinion shall constitute compliance with the corresponding requirement specified in this Article.

SECTION 402. No Private Use or Payment and No Private Loan Financing. The Authority shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Series 2018 Bonds are delivered, that the proceeds of the Series 2018 Bonds will not be used, in a manner that would cause the Series 2018 Bonds to be "private activity bonds" within the meaning of section 141 of the Code and the Regulations promulgated thereunder. Moreover, the Authority covenants and agrees that it will make such use of the proceeds of the Series 2018 Bonds including interest or other investment income derived from Series 2018 Bond proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the Series 2018 Bonds will not be "private activity bonds" within the meaning of section 141 of the Code and the Regulations promulgated thereunder.

SECTION 403. No Federal Guaranty. The Authority covenants and agrees that it has not and will not take any action, and has not knowingly omitted and will not knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Series 2018 Bonds to be “federally guaranteed” within the meaning of section 149(b) of the Code and the applicable Regulations thereunder, except as permitted by section 149(b)(3) of the Code and such Regulations.

SECTION 404. The Series 2018 Bonds are not Hedge Bonds. The Authority covenants and agrees that it has not and will not take any action, and has not

knowingly omitted and will not knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause the Series 2018 Bonds to be “hedge bonds” within the meaning of section 149(g) of the Code and the applicable Regulations thereunder.

SECTION 405. No-Arbitrage Covenant. The Authority shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Series 2018 Bonds are delivered, the Authority will reasonably expect that the proceeds of the Series 2018 Bonds will not be used in a manner that would cause the Series 2018 Bonds to be “arbitrage bonds” within the meaning of section 148(a) of the Code and the applicable Regulations promulgated thereunder. Moreover, the Authority covenants and agrees that it will make such use of the proceeds of the Series 2018 Bonds including interest or other investment income derived from Bond proceeds, regulate investments of proceeds of the Series 2018 Bonds, and take such other and further action as may be required so that the Series 2018 Bonds will not be “arbitrage bonds” within the meaning of section 148(a) of the Code and the applicable Regulations promulgated thereunder.

SECTION 406. Arbitrage Rebate. If the Authority does not qualify for an exception to the requirements of Section 148(f) of the Code relating to the required rebate to the United States, the Authority will take all necessary steps to comply with the requirement that certain amounts earned by the Authority on the investment of the “gross proceeds” of the Series 2018 Bonds (within the meaning of section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, the Authority will (i) maintain records regarding the investment of the gross proceeds of the Series 2018 Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Series 2018 Bonds separately from records of amounts on deposit in the funds and accounts of the Authority allocable to other bond issues of the Authority or moneys which do not represent gross proceeds of any bonds of the Authority, (ii) calculate at such times as are required by applicable Regulations, the amount earned from the investment of the gross proceeds of the Series 2018 Bonds which is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary date of the delivery of the Series 2018 Bonds or on such other dates as may be permitted under applicable Regulations, all amounts required to be rebated to the federal government. Further, the Authority will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Series 2018 Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm’s length and had the yield on the issue not been relevant to either party.

SECTION 407. Information Reporting. The Authority covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Series 2018 Bonds are issued, an information statement concerning the Series 2018 Bonds, all under and in accordance with section 149(e) of the Code and the applicable Regulations promulgated thereunder.

SECTION 408. Continuing Obligation. Notwithstanding any other provision of this Eighth Supplemental Indenture, the Authority's obligations under the covenants and provisions of this Article shall survive the defeasance and discharge of the Series 2018 Bonds.

[END OF ARTICLE IV]

ARTICLE V
CONTINUING DISCLOSURE UNDERTAKING

Attachment "A" to the Financing Agreement requires the Authority to comply with requirements for continuing disclosure of certain information on an on-going basis substantially in the manner required by the Rule and determined as if the TWDB were a participating underwriter within the meaning of the Rule.

SECTION 501. Annual Reports. The Authority shall provide annually to EMMA, within six months after the end of each fiscal year of the Authority ending in or after December 31, 2018, financial information and operating data with respect to the Authority of the general type included on Schedules 1 (footnote "b" only), 2, 3, 4, 5 and 6 and Appendix "A" of the final official statement for the Series 2011 Bonds. Any financial statements to be so provided shall be (1) prepared in accordance with the accounting principles described in the Authority's financial statements included as Appendix "A" to the final official statement for the Series 2011 Bonds or such other accounting principles as the Authority may be required to employ from time to time pursuant to state law or regulation and (2) audited, if the Authority commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the Authority shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements, if and when the audit report on such statements becomes available.

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

The financial information and operating data to be provided pursuant to this Article may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's internet website or filed with the SEC.

All documents provided to EMMA by the Authority pursuant to this Article shall be accompanied by identifying information as prescribed by the MSRB.

The Authority shall notify EMMA, in a timely manner, of any failure by the Authority to provide financial information or operating data in accordance with this Section by the time required by this Section.

SECTION 502. Material Event Notices. The Authority shall notify EMMA in a timely manner, not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Series 2018 Bonds, if such event is Material:

- A. Principal and interest payment delinquencies;
- B. Non-payment related defaults;
- C. Unscheduled draws on debt service reserves reflecting financial difficulties;
- D. Unscheduled draws on credit enhancements reflecting financial difficulties;
- E. Substitution of credit or liquidity providers, or their failure to perform;
- F. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds;
- G. Modifications to rights of holders of the Bonds;
- H. Bond calls and tender offers;
- I. Defeasances;
- J. Release, substitution, or sale of property securing repayment of the Bonds;
- K. Rating changes;
- L. Bankruptcy, insolvency, receivership or similar event of the Authority or other obligated person within the meaning of the Rule;
- M. Consummation of a merger, consolidation, or acquisition involving the Authority or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the Authority or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
- N. Appointment of a successor or additional trustee or the change of name of a trustee.

SECTION 503. Limitations, Disclaimers, and Amendments. The Authority shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the Authority remains an “obligated person” with respect to the Series 2018 Bonds within the meaning of the Rule, except that the Authority in any event will give the notice required by Section 502 of any Series 2018 Bond calls and defeasances that cause the Authority to be no longer such an “obligated person.”

The provisions of this Article are for the sole benefit of the Owners of the Series 2018 Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Authority undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Authority’s financial results, condition, or

prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The Authority does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Series 2018 Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE AUTHORITY BE LIABLE TO THE OWNER OF ANY SERIES 2018 BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE AUTHORITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR *MANDAMUS* OR SPECIFIC PERFORMANCE.

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

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

The provisions of this Article may be amended by the Authority from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Authority, but only if (1) the provisions of this Article, as so amended, would have permitted Purchaser to purchase or sell the Series 2018 Bonds in the primary offering of the Series 2018 Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Indenture that authorizes such an amendment) of the Outstanding Series 2018 Bonds consent to such amendment or (b) a person that is unaffiliated with the Authority (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the beneficial owners of the Series 2018 Bonds. If the Authority so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with this Article an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Authority may also amend or repeal the provisions of this Article if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that its right to do so would not prevent Purchaser from lawfully purchasing or selling Series 2018 Bonds in the primary offering of the Series 2018 Bonds.

SECTION 504. Definitions. _ As used in this Article, the following terms have the meanings ascribed to such terms below:

“*EMMA*” means the MSRB’s Electronic Municipal Market Access system established by the MSRB.

“*Material*” shall have the meaning of such word as used under federal securities laws.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Rule*” means SEC Rule 15c2-12, as amended from time to time.

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

[END OF ARTICLE V]

ARTICLE VI
COVENANTS AND MISCELLANEOUS PROVISIONS

SECTION 601. Notice. Any notice, demand, direction, request, or other instrument authorized or required by the Indenture of or relating to the Series 2018 Bonds to be given to or filed with the Authority, the Trustee, the Paying Agent, the Registrar, and the Authenticating Agent shall be deemed to have been given only upon receipt. Any notice under or in connection with the Indenture of or relating to the Series 2018 Bonds shall be sent by personal delivery or first class mail, postage prepaid, to the address specified below or, to such other address as may be designated in writing by the applicable party below:

Authority: North Fort Bend Water Authority
 c/o Allen Boone Humphries Robinson LLP
 3200 Southwest Freeway, Suite 2600
 Houston, Texas 77027
 Attention: President

Trustee: Regions Bank, Trustee
 3773 Richmond Avenue, Suite 1100
 Houston, Texas 77046
 Attention: Corporate Trust

SECTION 602. Unclaimed Funds. Any money held by any Fiduciary in trust for the payment and discharge of any of the Bonds shall be treated and handled in the manner provided in the Indenture; unless it is determined that any of such money is unclaimed property subject to Title 6 of the Texas Property Code, and then such money in question shall be treated as property subject to such Code.

SECTION 603. Execution in Several Counterparts. This Eighth Supplemental Indenture may be simultaneously executed in several counterparts, all of which shall constitute one and the same instrument and each of which shall be, and shall be deemed to be, an original.

SECTION 604. TWDB Requirements. During such time as the Series 2018 Bonds are outstanding, the Authority shall comply with the following:

A. The Series 2018 Bonds shall not be used by the Authority when sampling, testing, removing or disposing of contaminated soils and/or media at the Project site. The Authority hereby covenants, to the extent permitted by law, to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties

arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the Authority, its contractors, consultants, agents, officials and employees as a result of activities relating to the Project.

B. Until such time as the proceeds of the Series 2018 Bonds have been expended, the Authority shall submit to the TWDB the amounts of the Series 2018 Bonds, if any, that were used to compensate historically underutilized businesses.

C. The Authority shall not acquire any of the bonds issued by the TWDB to provide financing for the Series 2018 Bonds in an amount related to the Series 2018 Bonds.

D. Notwithstanding anything to the contrary contained herein, the TWDB may exercise all remedies available to it in law or equity.

E. The Authority shall cause to be prepared an annual audit of its financial statements and shall file such audit with the TWDB's executive administrator each year. Each such audit shall be prepared in accordance with generally accepted auditing standards by a certified public accountant or licensed public accountant.

F. The Authority shall, subject to the terms of Section 701(b) of the Indenture, maintain property insurance coverage for the above-ground structures of the Project.

G. To the extent applicable to the Authority, the Authority shall abide by the TWDB's rules and relevant statutes.

SECTION 605. Compliance With Laws Prohibiting Contracts With Companies Boycotting Israel and Certain Companies Engaged in Business With Iran, Sudan or Foreign Terrorist Organizations. Pursuant to Chapter 2270, Texas Government Code, and solely for purposes relating to Chapter 2270, Texas Government Code, the Trustee verifies that it does not boycott Israel and agrees that it will not boycott Israel through the term of this Eighth Supplemental Indenture. Additionally, pursuant to Chapter 2252, Texas Government Code, the Trustee certifies that it is not a company that contracts with or provides supplies or services to a foreign terrorist organization, as defined by Section 2252.151(2), Texas Government Code, and has not

been identified as a company known to have contracts with or provide supplies or services to a foreign terrorist organization as identified on a list prepared and maintained under Section 806.051, 807.051, or 2252.153, Texas Government Code. At the request of the Authority, the Trustee agrees to execute further written certifications as may be necessary or convenient for the Authority to establish compliance with these laws.

[END OF ARTICLE VI]

IN WITNESS WHEREOF, the Authority and the Trustee have caused this Eighth Supplemental Indenture to be signed and attested on their behalf by their duly authorized representatives, all as of the date first hereinabove written.”

**NORTH FORT BEND
WATER AUTHORITY**

By: _____
Vice President

ATTEST:

By: _____
Secretary

REGIONS BANK, as Trustee

By: _____

Title: _____

EXHIBIT A

The form of the Series 2018 Bonds, including the form of the Trustee's Authentication Certificate, the Form of Assignment, and the form of the Comptroller's Registration Certificate for the Series 2018 Bonds to be initially issued, shall be substantially as follows, with such additions, deletions and variations, as may be necessary or desirable and not prohibited by this Eighth Supplemental Indenture, including any legend regarding bond insurance if such insurance is obtained:

(a) Form of Series 2018 Bond

UNITED STATES OF AMERICA

STATE OF TEXAS

NORTH FORT BEND WATER AUTHORITY
WATER SYSTEM JUNIOR LIEN REVENUE BOND, SERIES 2018

NUMBER	DENOMINATION
R-	\$
REGISTERED	<u>REGISTERED</u>

INTEREST RATE: MATURITY DATE: DATED DATE: CUSIP:
_____, 2018

Registered Owner:

Principal Amount:

NORTH FORT BEND WATER AUTHORITY, a political subdivision of the State of Texas, (herein the "Authority"), FOR VALUE RECEIVED hereby acknowledges itself indebted to and PROMISES TO PAY to the Registered Owner identified above, or registered assigns, on the Maturity Date specified above, unless redeemed prior thereto as provided in this bond, upon presentation and surrender of this bond at Regions Bank, or at the designated corporate trust office of the successor to Regions Bank, as Trustee under the hereinafter described Indentures, the Principal Amount identified above (or so much thereof as shall not have been paid or deemed to have been paid upon prior redemption) in lawful money of the United States of America, without charge for Trustee services, and to pay at the Interest Rate per annum identified above on each June 15 and December 15, commencing June 15, 2018 (each an "Interest Payment Date"), interest on the unpaid principal balance of this bond from the later of the delivery date of the Bonds or the most recent Interest Payment Date to which interest has been paid or duly provided for, calculated on the basis of a 360-day year composed of twelve 30 day months, until the maturity or redemption date of this bond, or until the

Authority's obligation with respect to the payment of this bond has been satisfied. All interest on this bond shall be payable by check or draft mailed by the Trustee to the Registered Owner of this bond at its address as it appears on the registration books required to be maintained for the bonds of this series by the Trustee, or in such other manner as may be mutually acceptable to the Trustee and the Owner of this bond. Interest on this bond payable on any Interest Payment Date shall be paid to the Registered Owner of this bond as of the 15th day of the calendar month immediately prior to the Interest Payment Date (the "*Record Date*").

THIS BOND IS ONE OF A SERIES OF BONDS designated "North Fort Bend Water Authority Water System Junior Lien Revenue Bonds, Series 2018" (the "*Series 2018 Bonds*") issued in the aggregate principal amount of \$339,480,000. The Series 2018 Bonds pay interest on each Interest Payment Date until maturity or prior redemption.

THE SERIES 2018 BONDS ARE ISSUED under and pursuant to an Indenture of Trust dated June 1, 2009 (the "*Indenture*"), between the Authority and Regions Bank, as trustee (together with any successor, the "*Trustee*"), a First Supplemental Indenture of Trust dated June 1, 2009, between the Authority and the Trustee (the "*First Supplement*"), a Second Supplemental Indenture of Trust dated September 1, 2010 (the "*Second Supplement*"), a Third Supplemental Indenture of Trust dated October 1, 2011 (the "*Third Supplement*"), a Fourth Supplemental Indenture of Trust dated November 1, 2015 (the "*Fourth Supplement*"), a Fifth Supplemental Indenture of Trust dated August 15, 2016 (the "*Fifth Supplement*"), a Sixth Supplemental Indenture of Trust dated October 1, 2016 (the "*Sixth Supplement*"), a Seventh Supplemental Indenture of Trust dated November 1, 2017 (the "*Seventh Supplement*"), and an Eighth Supplemental Indenture of Trust dated _____, 2018, between the Authority and the Trustee (the "*Eighth Supplement*" and together with the Indenture, First Supplement, Second Supplement, Third Supplement, Fourth Supplement, Fifth Supplement, Sixth Supplement, and Seventh Supplement called the "*Indentures*") to: (i) fund Project Costs of the Project (as defined in the Eighth Supplement); (ii) fund the Junior Lien Reserve Fund Requirement (as defined in the Eighth Supplement) attributable to the Series 2018 Bonds, and (iii) pay for the Costs of Issuance (as defined in the Eighth Supplement) of the Series 2018 Bonds.

THIS BOND SHALL NOT BE VALID OR OBLIGATORY for any purpose or be entitled to any benefit of the Indentures unless this bond is registered by the Comptroller of Public Accounts of the State of Texas or is authenticated by the Trustee by due execution and dating of the authentication certificate endorsed hereon.

THE SERIES 2018 BONDS ARE PAYABLE FROM AND SECURED BY a lien on and pledge of the Trust Estate as defined in the Indenture. Owners of the Series 2018 Bonds shall never have the right to demand payment of the Series 2018 Bonds or interest thereon out of any funds raised or to be raised by ad valorem taxation or to have any claim against any property or revenues of the Authority except for the

Pledged Revenues and Pledged Funds described in the Indenture. The Authority does not have the power to levy or collect ad valorem taxes.

THE SERIES 2018 BONDS ARE ISSUED AS JUNIOR LIEN BONDS and, as such, the Parity Bonds, Parity Notes and Parity Obligations issued under the Indenture are and shall be secured by a lien on Pledged Revenues that is senior and superior to the lien on Pledged Revenues securing the Junior Lien Bonds (including the Series 2015 Bonds, the Series 2016A Bonds, the Series 2016B Bonds, the Series 2017 Bonds, and the Series 2018 Bonds), Junior Lien Notes and Junior Lien Obligations; and Pledged Revenues shall first be applied to make all required deposits in and transfers to the Debt Service Fund and Debt Service Reserve Fund before making required deposits in and transfers to the Junior Lien Debt Service Fund and Junior Lien Debt Service Reserve Fund.

THE INDENTURE ALSO PERMITS THE AUTHORITY TO ISSUE OR INCUR Credit Agreements, Hedge Agreements and Other Authority Obligations, each as defined in the Indenture, in an unlimited aggregate principal amount which is and may be secured by a lien on and pledge of the Trust Estate on a parity with, senior to, or subordinate to the lien securing the Series 2018 Bonds.

REFERENCE IS HEREBY MADE TO THE INDENTURES, copies of which are filed with the Trustee, for the full provisions thereof (including, among others, those with respect to the nature and extent of the rights, duties and obligations of the Authority, the Trustee and the Owners of the Series 2018 Bonds; the nature and extent of the covenants of the Authority to impose fees, user fees, rates and charges (including for the sale of water, for the pumpage of water from water wells, and for the importation of water into the Authority's boundaries); the rights of the Authority to issue other bonds, notes and obligations; the terms upon which the Series 2018 Bonds are issued and secured and the modification or amendment of the Indentures), to all of which the Owners of the Series 2018 Bonds assent by the acceptance of the Series 2018 Bonds.

ON DECEMBER 15, 2028, OR ON ANY DATE THEREAFTER, the Authority shall have the option of calling the Series 2018 Bonds maturing on or after December 15, 2028, for redemption prior to maturity, in inverse order of maturity, in whole or in part in integral multiples of \$5,000 (but if less than all the Series 2018 Bonds of a single maturity are to be redeemed, those to be redeemed shall be selected by the Trustee by lot), for an amount equal to the principal amount redeemed plus accrued interest thereon to the date fixed for redemption.

THE SERIES 2018 BONDS MAY BE REDEEMED IN PART only in integral multiples of \$5,000. If a Series 2018 Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Series 2018 Bond may be redeemed, but only in integral multiples of \$5,000. In selecting portions of Series 2018 Bonds for redemption,

the Trustee shall treat each Series 2018 Bond as representing that number of Series 2018 Bonds of \$5,000 denomination which is obtained by dividing the principal or maturity amount of such Series 2018 Bond by \$5,000. Upon surrender of any Series 2018 Bond for redemption in part, the Trustee, in accordance with the provisions of the Indentures, shall authenticate and deliver in exchange therefor a Series 2018 Bond or Series 2018 Bonds of like maturity and interest rate in an aggregate principal or maturity amount equal to the unredeemed portion of the Series 2018 Bond so surrendered.

NOTICE OF ANY REDEMPTION identifying the Series 2018 Bonds to be redeemed in whole or in part shall be given by the Trustee at least 30 days prior to the date fixed for redemption by sending written notice by United States mail, first class postage paid, to the registered owner of each Series 2018 Bond to be redeemed in whole or in part at the address shown on the Register. The notice shall also be given by the Trustee at least 30 days prior to the date fixed for redemption by United States certified mail, return receipt requested, to each registered Securities Depository (as defined in the Indentures). Such notice shall identify the Series 2018 Bonds or portions thereof to be redeemed by stating the CUSIP number, certificate number, date of issuance, interest rate and maturity date of such Series 2018 Bonds or portions thereof to be redeemed, and shall state the redemption date, the redemption price, the amount of accrued interest payable on the redemption date, and the place at which Series 2018 Bonds are to be surrendered for payment. Any notice given as provided in this paragraph shall be conclusively presumed to have been duly given, whether or not the owner receives such notice. By the date fixed for redemption, due provision shall be made with the Trustee for the payment of the redemption price of the Series 2018 Bonds to be redeemed, plus accrued interest to the date fixed for redemption. When the Series 2018 Bonds have been called for redemption in whole or in part and due provision has been made to redeem same as herein provided, the Series 2018 Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the owners to collect interest which would otherwise accrue after the redemption date on any Series 2018 Bonds or portion thereof called for redemption shall terminate on the date fixed for redemption.

THIS BOND IS TRANSFERABLE, as provided in the Indentures, only upon the books of registration of the Authority kept for that purpose at the office of the Trustee, by the Owner hereof in person, or by the Owner's attorney duly authorized in writing, upon surrender of this bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the Owner or the Owner's duly authorized attorney, and, upon payment of any tax or governmental charges required to be paid with respect to such transfer or exchange, a new bond or bonds in the same aggregate principal amount shall be issued to the transferee in exchange therefor as provided in the Indentures. The Trustee is not required to accept any bond for transfer or exchange during a period of 15 days preceding the selection of bonds for redemption or after this

bond has been called for redemption. The Authority and the Trustee may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this bond and the Series 2018 Bonds is duly authorized by law; that all acts, conditions and things required to be done precedent to and in the issuance of this bond and of the Series 2018 Bonds have been properly done, have happened and have been performed in regular and due time, form and manner, as required by law; the Authority has granted a lien on and pledge of the Trust Estate to the Series 2018 Bonds as provided in the Indenture.

IN WITNESS WHEREOF, the Authority has caused this bond to be signed by the President or Vice President and attested by the Secretary or Assistant Secretary by their manual or facsimile signatures and sealed with the official seal of the Authority or a facsimile thereof.

NORTH FORT BEND
WATER AUTHORITY

By: _____
Vice President

ATTEST:

By: _____
Secretary

(b) Form of Authentication Certificate

AUTHENTICATION CERTIFICATE

This bond is one of the bonds referred to in the within mentioned Indentures; and that, except as to the bonds initially delivered, this bond has been issued in conversion of and exchange for or replacement of a bond, bonds or a portion of a bond or bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Regions Bank,
as Trustee

By: _____
Authorized Signature

(c) Form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas which is to be Affixed to each of the Initially Issued Series 2018 Bonds

CERTIFICATE OF REGISTRATION OF COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER

REGISTER NO. _____

THE STATE OF TEXAS

I HEREBY CERTIFY that there is on file and of record in my office an opinion of the Attorney General of the State of Texas to the effect that this bond has been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and it is a valid and binding obligation of NORTH FORT BEND WATER AUTHORITY and said Bond has this day been registered by me.

WITNESS MY HAND AND SEAL OF OFFICE, _____, 2018.

Comptroller of Public Accounts
of the State of Texas

(d) Form of Assignment to be Printed on Each of the Series 2018 Bonds

ASSIGNMENT

FOR VALUE RECEIVED the undersigned Registered Owner of this bond, or duly authorized representative or attorney thereto, hereby assigns this bond to

/ _____ /
(Assignee's social
security or taxpayer
identification number)

(print or typewrite Assignee's
name and address, including
zip code)

and hereby irrevocably constitutes and appoints

attorney to transfer the registration of this bond on the Register, with full power of substitution in the premises.

DATED:

Registered Owner

NOTICE: The signature must correspond with the name of the Registered Owner appearing on the face of this bond.

Signature Guaranteed:

NOTICE: This signature should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program) pursuant to S.E.C. rule 17Ad-15.

(e) Form of Statement of Insurance. This is not applicable, because no bond insurance is obtained for the Series 2018 Bonds.

(f) The Initial Bond shall be in the form set forth in paragraphs (a), (c), (d) and (e) of this Section, except for the following alterations:

(i) immediately under the name of the Bond, the headings “INTEREST RATE” and “MATURITY DATE” shall both be completed with the words “As Shown Below” and the word “CUSIP” deleted;

(ii) in the first paragraph of the Bond, the words “on the Maturity Date specified above” and “at the Interest Rate per annum identified above” shall be deleted and the following shall be inserted at the end of the first sentence “with such principal to be paid in installments on December 15 in each of the years and in the principal amounts identified in the following schedule and with such installments bearing interest at the per annum rates set forth in the following schedule:

[TO BE INSERTED]

Series 2018 Bonds		
Maturity December 15	Principal Amount Maturing (\$)	Interest Rate (%)

- (iii) the Initial Bond shall be numbered IB-1.
- (iv) the Initial Bond shall be registered in the name of the Purchaser.
- (v) the term bond language shall be removed from the Initial Bond in the event there are no term bonds.

PRIVATE PLACEMENT MEMORANDUM DATED _____, 2018

NEW ISSUE BOOK-ENTRY-ONLY

On the date of initial delivery of the Bonds (defined below), Issuer Bond Counsel (defined on page 2) will render its opinion substantially in the form attached in APPENDIX C - FORM OF OPINION OF BOND COUNSEL.

\$_____,000
NORTH FORT BEND WATER AUTHORITY
JUNIOR LIEN WATER SYSTEM REVENUE BONDS
SERIES 2018 (the "Bonds")

Dated: _____, 2018

Due: December 15

Interest Date: Interest on the Bonds will be payable on June 15 and December 15 each year, commencing June 15, 2018 (each an "Interest Payment Date"). The Bonds will bear interest at the rates per annum set forth in "APPENDIX A - MATURITY SCHEDULE."

Record Date: The close of business on the fifteenth calendar day of the month next preceding the applicable Maturity Date, commencing November 15, 2018.

Date Interest Accrues: Each Bond shall bear interest from the Delivery Date thereof or the most recent Interest Payment Date to which interest has been paid or provided for at the rate set forth, such interest payable semiannually on June 15 and December 15 of each year until the earliest of maturity or prior redemption, commencing on December 15, 20__, immediately following the Delivery Date.

Redemption: The Bonds are subject to redemption prior to maturity as provided herein. See "THE BONDS - Redemption Provisions" herein.

Authorized Denominations: The Bonds are being issued as fully registered bonds in denominations of \$5,000, or any integral multiple thereof.

Paying Agent/Registrar/Registrar: The paying agent ("Paying Agent/Registrar/Registrar") for the Bonds is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

Book-Entry-Only System Upon initial issuance, the ownership of the Bonds will be registered in the registration books of the Issuer kept by the Paying Agent/Registrar, in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") to which principal, redemption premium, if any, and interest payments on the Bonds will be made. The purchasers of the Bonds will not receive physical delivery of bond certificates. Principal of, interest, and premium if any, on the Bonds will be payable at the designated office of the Paying Agent/Registrar in Dallas, Texas as the same become due and payable.

Official Action: Bond Order dated _____, 2018.

Purpose: See "APPENDIX B - OFFICIAL ACTION."

Security for the Bonds: See "APPENDIX B - OFFICIAL ACTION."

Ratings: See "OTHER INFORMATION - Ratings."

Delivery Date: _____, 2018.

See "APPENDIX A - MATURITY SCHEDULE" for Principal Amounts, Maturities, Interest Rates, Prices or Yields, and Initial CUSIP Numbers

NORTH FORT BEND WATER AUTHORITY

BOARD OF DIRECTORS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Peter Houghton	President	May 20--
Robert L. Patton	Vice President	May 20--
Melony F. Gay	Secretary/Treasurer	May 20--
Bruce Fay	Director	May 20--
Pat Hebert	Director	May 20--
David Spell	Director	May 20--
Robert Darden	Director	May 20--

OTHER CONSULTANTS AND ADVISORS

Allen Boone Humphries Robinson, Bond Counsel

Post Oak Municipal Advisors LLC, Financial Advisor

The Bank of New York Mellon Trust Company, Paying Agent/Registrar

Brown & Gay Engineers, Inc., Engineer

Avonta Services, Bookkeeper

McGrath & Co., PLLC, Auditor

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**Private Placement Memorandum
relating to**

\$ _____,000

**NORTH FORT BEND WATER AUTHORITY
JUNIOR LIEN WATER SYSTEM REVENUE BONDS
SERIES 2018 (the “Bonds”)**

INTRODUCTION

This Private Placement Memorandum, including the cover page and appendices, contains brief descriptions of the Issuer, provides certain information with respect to the issuance by the Issuer, and summaries of certain provisions of the “Bonds” pursuant to the Official Action. Except as otherwise set forth herein, capitalized terms used but not defined in this Private Placement Memorandum have the meanings assigned to them in the Official Action. See “APPENDIX B – FORM OF OFFICIAL ACTION” attached hereto.

APPENDIX A contains the maturity schedule for the Bonds. APPENDIX B contains the Official Action and a description of the purpose for the proceeds of the Bonds. APPENDIX C contains a copy of the proposed opinion of Bond Counsel with respect to the Bonds. The summaries of the documents contained in the forepart of this Private Placement Memorandum are not complete or definitive, and every statement made in this Private Placement Memorandum concerning any provision of any document is qualified by reference to such document in its entirety.

THE BONDS

General Description

The Bonds are being issued in the aggregate principal amount set forth in APPENDIX A of this Private Placement Memorandum and will mature and be subject to redemption prior to maturity as described therein. The Bonds are being issued as fully registered bonds in denominations of \$5,000, or any integral multiple thereof. The Bonds will be dated as of the stated date of issue and will mature on the dates referenced thereon, and will bear interest at the rates per annum set forth in “APPENDIX A - MATURITY SCHEDULE.”

Interest on the Bonds is payable semiannually on each Interest Payment Date, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Principal of and the redemption price with respect to the Bonds will be payable to the Owners upon presentation and surrender at the principal office of the Paying Agent/Registrar.

Purpose

See “APPENDIX B - FORM OF OFFICIAL ACTION.”

Authority for Issuance

The Bonds are being issued pursuant to Texas Law (including particularly the Act and Chapter 1371 of the Texas Government Code, as amended), the Indenture and a resolution adopted by the board of directors of the Authority.

Security for the Bonds

See “APPENDIX B - FORM OF OFFICIAL ACTION.”

Redemption Provisions

On December 15, 20____, or on any date thereafter, the Bonds maturing on and after December 15, 20____ may be redeemed prior to their scheduled maturities, upon the written direction of the Issuer, with funds provided by the Issuer, at par plus accrued interest to the date fixed for redemption as a whole, or in part, and if less than all of a maturity is to be redeemed the Paying Agent/Registrar will determine by lot the Bonds, or portions thereof within such maturity to be redeemed (provided that a portion of a Bond may be redeemed only in Authorized Denominations).

Notice of Redemption; Selection of Bonds to Be Redeemed

See “APPENDIX B - FORM OF OFFICIAL ACTION.”

The Paying Agent/Registrar, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption of the Bonds, notice of proposed amendment to the Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC.

Book-Entry-Only System

The information in this caption concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book entry system has been obtained from DTC and the Issuer makes no representation or warranty nor takes any responsibility for the accuracy or completeness of such information.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and deposited with DTC. See APPENDIX B - “FORM OF OFFICIAL ACTION.”

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument (from over 100 countries) that DTC’s participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions, in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearance Corporation, and Fixed Income Clearance Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: “AAA.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Estimated Draw Schedule

See “APPENDIX D – DRAW SCHEDULE.”

TAX MATTERS

Opinion

Bond Counsel will deliver its opinion on the date of delivery of the Bonds substantially in the form as attached in "APPENDIX C - FORM OF OPINION OF BOND COUNSEL."

OTHER INFORMATION

Forward Looking Statements

The statements contained in this Private Placement Memorandum, including the cover page, appendices, and any other information or documents provided by the Issuer, that are not purely historical, are forward-looking statements, including statements regarding the Issuer's expectations, hopes, intentions, or strategies regarding the future. Holders and beneficial owners of the Bonds have placed reliance on forward-looking statements. All forward looking statements included in this Private Placement Memorandum are based on information available to the Issuer on the date hereof. It is important to note that the Issuer's actual results could differ materially from those in such forward-looking statements.

Ratings

No application has been made to any ratings agency or municipal bond insurance company for qualification of the Bonds for ratings or municipal bond insurance, respectively.

LITIGATION

General

On the date of delivery of the Bonds to the initial purchasers thereof, the Issuer will execute and deliver a certificate to the effect that, except as disclosed herein, no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security or in any manner questioning the validity of the Bonds.

The Issuer

There is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best knowledge of the Issuer, threatened) that adversely affects the power, authority or obligation of the Issuer to deliver the Bonds, the security for, or the validity of, the Bonds or the financial condition of the Issuer.

CONTINUING DISCLOSURE OF INFORMATION

In the Official Action, the Issuer has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data, and timely notice of specified material events, to certain other information vendors. SEE "APPENDIX B - FORM OF OFFICIAL ACTION."

Compliance with Prior Undertakings

During the last five years, the Issuer has complied in all material respects with its continuing disclosure agreements in accordance with the Rule.

MISCELLANEOUS

Any statements made in this Private Placement Memorandum involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Private Placement Memorandum nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Bonds.

The information contained above is neither guaranteed as to accuracy or completeness nor to be construed as a representation by the Issuer. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Private Placement Memorandum nor any sale made hereunder is to create, under any circumstances, any implication that there has been no change in the affairs of the Issuer or the Issuer from the date hereof.

The Private Placement Memorandum is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose.

ADDITIONAL INFORMATION

The Private Placement Memorandum speaks only as of its date and the information contained herein is subject to change. Descriptions of the Bonds and the Official Action and any other agreements and documents contained herein constitute summaries of certain provisions thereof and do not purport to be complete. This Private Placement Memorandum was approved by the Issuer.

APPENDIX A
MATURITY SCHEDULE

- (1) CUSIP Numbers have been assigned to the Bonds by the CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (2) The District reserves the right, at its option, to redeem Bonds having stated maturities on and after December 15, 20____, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on December 15, 20____, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

APPENDIX B

FORM OF OFFICIAL ACTION

[ATTACH COPY OF OFFICIAL ACTION]

APPENDIX C
FORM OF OPINION OF BOND COUNSEL

APPENDIX D
DRAW SCHEDULE